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SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

REPORT

ON

MISCELLANEOUS TARIFF AND CUSTOMS BILLS

JULY 25, 1984

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SUBCOMMITTEE ON TRADE

July 25, 1984

COMMITTEE ON
JUL 2 1984
WAYS AND MEANS

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth Building
Washington, D.C. 20515

Dear Mr. Chairman:

The Subcommittee on Trade met in markup session on June 26 and 27, 1984, taking favorable action on 62 tariff and trade bills. Of these 62 bills, the 52 bills contained in Part A of the Committee print were found to be noncontroversial, whereas the 10 bills contained in Part B were ordered reported with an indication that varying degrees of controversy remain.

All of the bills were ordered reported by voice vote for consideration by the full Committee on Ways and Means and many were reported with amendments. Due to the large number of bills under consideration, an explanation of each of these amendments is not included in this letter. However, a detailed explanation of each amendment is contained in the "Subcommittee Action" section of the respective bill report.

The noncontroversial bills are listed below:

H.R. 2471: To apply duty-free treatment with respect to articles exported for purposes of rendering certain geophysical or contracting services abroad and returned.

H.R. 2667: To suspend until July 1, 1988, the duty on yttrium bearing ores, materials, and compounds containing by weight more than 19 percent but less than 85 percent yttrium oxide equivalent.

H.R. 3158: To implement the Customs Convention on Containers, 1972.

H.R. 3311: To suspend for a three-year period the duty on (Bicyclohexyl)-1-carboxylic acid 2-(diethylamino)ethyl ester hydrochloride.

H.R. 3312: To suspend for a three-year period the duty on 1-Piperidinebutanol, alpha-[4-(1,1-dimethylethyl)phenyl]-4-(hydroxydiphenylmethyl).

H.R. 3313: To suspend for a three-year period the duty on 2-[4-(2-Chloro-1, 2-diphenylethenyl)-phenoxy]-N,N-diethylethananmine dihydrogen citrate.

H.R. 3330: To amend the Tariff Act of 1930 to exempt from duties equipments and repairs to certain vessels, and for other purposes.

H.R. 3445: To suspend temporarily the duty on diphenyl guanidine and di-ortho-tolyl guanidine.

H.R. 3709: To extend the existing suspension of duty on natural graphite until January 1, 1988.

H.R. 3731: To extend temporary suspension of duties on certain clock radios until September 30, 1987.

H.R. 3740: To suspend for a three-year period the duty on 3-[Hydroxydiphenylacetyl)oxy]-1,1-dimethylpiperidinium bromide.

H.R. 3741: To suspend for a three-year period the duty on 5H-Dibenz [b,f] azepine-5-propanamine, 10, 11-dihydro-N-methyl-, monohydrochloride.

H.R. 3742: To suspend for a three-year period the duty on hydrazone, 3-(4-methylpiperazinyliminomethyl) rifamycin SV.

H.R. 3983: Regarding the operation of certain duty-free sales enterprises.

H.R. 4035: To suspend temporarily the duty on a certain chemical intermediate.

H.R. 4087: To provide for a three-year suspension of the duty on B-naphthol.

H.R. 4088: To provide for a temporary suspension of the duty on 6-amino-1-naphthol-3-sulfonic acid until January 1, 1986.

H.R. 4089: To provide for a temporary suspension of the duty on 2-(4-aminophenyl)-6-methylbenzothiazole-7-sulfonic acid until January 1, 1986.

H.R. 4178: To amend the Tariff Act of 1930 to increase from $250 to $1,500 the value of goods eligible for informal entry, and for other purposes.

H.R. 4223: To suspend for a three-year period the duty on 4-O-beta-D-Galactopyranosyl-D-fructose.

H.R. 4224: To suspend for a three-year period the duty on nicotine resin complex.

H.R. 4225: To suspend for a three-year period the duty on an iron dextran complex.

H.R. 4232: To amend the Tariff Schedules of the United States to clarify the classification of any naphtha described as both a petroleum product and a benzenoid chemical.

H.R. 4296: To amend the Tariff Schedules of the United States to establish equal and equitable classification and duty rates for certain imported citrus products.

H.R. 4316: To amend the Tariff Act of 1930 regarding same condition drawbacks and same kind and quality drawbacks, and for other purposes.

H.R. 4329: To extend until July 1, 1987, the existing suspension of duty on 4-chloro-3-methylphenol.

H.R. 4339: To amend the Tariff Schedules of the United States regarding the classification of certain articles of wearing apparel.

H.R. 4353: Relating to the tariff classification of salted and dried plums, and for other purposes.

H.R. 4378: To suspend the duty on sulfaquinoxaline until the close of December 31, 1986.

H.R. 4379: To suspend the duty on sulfathiazole until the close of December 31, 1986.

H.R. 4380: To suspend the duty on sulfanilamide until the close of December 31, 1986.

H.R. 4381: To suspend the duty on sulfamethazine until the close of December 31, 1986.

H.R. 4382: To suspend the duty on sulfaguanidine until the close of December 31, 1986.

H.R. 4443: To continue until the close of June 30, 1989, the existing suspension of duties on certain forms of zinc.

H.R. 4513: To extend for four years the temporary suspension of duty on tartaric acid and certain tartaric chemicals.

H.R. 4765: To extend duty-free treatment to imports of chipper knife steel.

H.R. 4887: To permit until January 1, 1987, the duty-free entry of magnetron tubes used in microwave cooking appliances.

H.R. 4899: To suspend the duty on acetylsulfaguanidine until the close of December 31, 1986.

H.R. 5283: To suspend until July 1, 1987, the duty on lace-braiding machines and parts thereof.

H.R. 5284: To suspend until July 1, 1987, the duty on narrow fabric looms and parts thereof.

H.R. 5338: To provide for the temporary suspension of duty on mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one, 2-methyl-4-isothiazolin-3-one, magnesium chloride and magnesium nitrate.

H.R. 5339: To provide for the temporary suspension of the duty on mixtures of potassium 1-(p-chlorophenyl)-1, 4-dihydro-6-methyl-4-oxopyridazine-3-carboxylate ("Fenridazon-potassium") and formulation adjuvants.

H.R. 5368: To suspend for a 3-year period the duty on amiodarone.

H.R. 5389: To temporarily suspend until September 30, 1988, the duty on tetra amino biphenyl.

H.R. 5410: To extend duty-free treatment to scrolls or tablets imported for use in religious observances.

H.R. 5418: To amend section 641 of the Tariff Act of 1930, and for other purposes.

H.R. 5429: To provide for the duty-free entry of articles required for the installation and operation of a telescope in Arizona.

H.R. 5436: To provide for the duty-free entry of organs imported for the use of Trinity Cathedral of Cleveland, Ohio.

H.R. 5448: To provide duty-free treatment of articles previously imported, with respect to which duty was previously paid.

H.R. 5453: Authorizing the President to proclaim modifications in the rates of duty for certain articles in trade in civil aircraft.

H.R. 5751: To extend for two additional years the suspension of duty on uncompounded allyl resins.

H.R. 5783: To suspend for a 3-year period the duty on certain metal umbrella frames.

The other bills are listed below:

H.R. 2776: Relating to the tariff treatment of gut imported for use in the manufacture of surgical sutures.

H.R. 4482: To amend the Tariff Schedules of the United States with respect to the classification of certain diamond articles.

H.R. 4825: To provide for a temporary reduction in duty on imported fresh, chilled, or frozen brussels sprouts.

H.R. 3159: To require that customs duties determined to be due upon liquidation or reliquidation are due upon that date, and for other purposes.

H.R. 4255: Providing for a reduction in the duty on certain fresh asparagus.

H.R. 5455: To amend the Tariff Schedules of the United States to clarify the classification of unfinished gasoline.

H.R. 5182: To amend the Tariff Schedules of the United States to clarify the duty treatment of certain types of plywood.

H.R. 3817: To apply for a five-year period a lower rate of duty on ethyl and methyl parathion.

H.R. 2711: To amend the Tariff Schedules of the United States to impose a one-tenth of 1 cent duty on apple and pear juice.

H.R. 4647: To apply a reduced rate of duty to certain dried egg yolk processed from eggs produced in the United States and exported to Canada for use in the manufacture of lysozyme.

The Congressional Budget Office's preliminary estimate indicates that the bills taken together could initially reduce customs duties receipts by $62 million annually. The annual revenue loss is likely to decline over time as staged rate reductions become effective and as most duty reductions only cover a two or three year period. It should be noted that this estimate does not include the effects of several bills due to the lack of reliable data on articles covered.

Transmitted herein, in accordance with the rules of the Committee, are copies of the 62 tariff and trade bills together with a report on each bill containing a section-by-section analysis, background and justification of the bill as amended, and a comparison with present law.

In addition, each report contains a brief summary of the provision, an estimate of the effect on revenue, and a summary of testimony, written comments, and agency reports as received by the Subcommittee on the original bills, and a copy of the bill as amended.

I request that consideration of these bills by the Committee on Ways and Means be scheduled as soon as possible.

Sincerely,

Sam M. Gibbons
Chairman

SMG/GWc
Enclosures

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PART A

H.R. 2471

Introduced by: Mrs. Boggs (LA)
Date: April 12, 1983

To apply duty-free treatment with respect to articles exported for purposes of rendering certain geophysical or contracting services abroad and returned.

Summary of the Provision

H.R. 2471, if enacted, would provide permanent duty-free entry of geophysical or contracting services and articles exported and returned and used for the extraction or development of natural resources and having been imported by or for the account of the person who exported them.

Section-by-Section Analysis

Section 1 of H.R. 2471, if enacted, would amend part 1, subpart A of schedule 8 of the Tariff Schedules of the United States (19 U.S.C. 1202) by including a new item 802.50 which would provide for both column 1 MFN and column 2 (communist countries) duty-free treatment of geophysical or contracting services and articles exported and returned and used for the extraction or development of natural resources and having been imported by or for the account of the person who exported them.

Section 2 provides for the effective date of the Act to be on or after the 15th day after the date of enactment of the Act.

Background and Justification

Articles covered by this legislation would be foreign-manufactured equipment used for the purposes stated above and which have unique operating and performance characteristics. The equipment would be capable of being used in both domestic and foreign operations by U.S. firms for providing geophysical and contracting services in the search for, or development of, natural resources.

Duty-free entry provided by this provision would only be available under this legislation if duty had been previously paid upon importation of the equipment and only if it is reimported by the party or firm who exported, or caused the exportation of, the equipment prior to its reimportation. Thus, the legislation would strive to relieve parties of multiple application of duty but would not affect the requirement for payment of duty upon initial importation.

Comparison With Present Law

Customs law, as set forth in the Tariff Act of 1930, does not provide a general exemption from the assessment of duty on commodities which previcusly were imported into the United States and for which duty was paid. With the exception of certain narrowly defined categories of commodities, the dutiable status of an article is not affected by the fact of prior entry and U.S. Customs has determined that multiple duties may be collected on foreign-manufactured articles which are repeatedly reexported and then reimported.

The foreign-manufactured articles covered by this legislation are not separately provided for in the TSUS. They are currently provided for in, and account for varying percentages of the value of imports which enter under numerous TSUS item numbers, chiefly in schedule 6 of the TSUS. The rates of duty applicable to such imported equipment vary, but most of the equipment does not enter free of duty. The proposed item 802.50 would allow the subject articles to enter free of duty from all sources, if exported for the specified temporary uses abroad and if the other criteria mentioned above are met.

Effect on Revenue

The amount of customs revenues which would be lost due to the enactment of this legislation cannot be specified with any degree of certainty because the number of articles potentially covered by the proposed tariff item and the total number of times a foreign-manufactured duty-paid article might be exported and returned are unknown.

A best-guess of the amount of revenue which may be lost is anticipated to be less than one million dollars, in any event.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 2471.

International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 2471 favorably reported to the full Committee on Ways and Means by a voice vote, with minor techinical amendments including a change in the effective date to 15 days after date of enactment.

Senate Action

A companion bill (S.1954) was introduced by Senator Johnston.

SUMMARY OF TESTIMONY ON H.R. 2471

Administration

Department of Commerce: No objection to enactment of H.R. 2471.

Department of State: No objection to enactment of H.R. 2471.

Statements For The Record

Supports

The Honorable Lindy Boggs, M.C.(La.): The objective of the bill is to relieve parties of multiple application of duty on equipment used abroad in conjunction with rendition of geophysical or contracting services in connection with the exploration for or extraction of or development of natural resources provided (1) that the duty previously has been paid upon importation of the equipment, and (2) that the equipment is imported into the United States by the party who caused its exportaion.

Offshore Navigations, Inc.: ONI seeks duty assistance in order to more effectively compete in a highly competitive international market where other companies have a cost advantage by virtue of their location closer to the operating area of the North Sea, the Middle East and Africa.

H.R. 2667

Introduced by: Mr. Thomas (CA)
Date: April 20, 1983

To suspend until July 1, 1988, the duty on yttrium bearing ores, materials and compounds containing by weight more than 19% but less than 85% yttrium oxide equivalent.

Summary of the Provision

H.R. 2667, if enacted, would provide for the duty-free treatment of all yttrium bearing ores, materials and compounds containing by weight more than 19% but less than 85% yttrium oxide equivalent until the close of June 30, 1988.

Section-by-Section Analysis

Section 1 of H.R. 2667, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new item 907.21 to provide for the column 1 MFN duty-free treatment of all yttrium bearing ores, materials and compounds containing by weight more than 19% but less than 85% yttrium oxide equivalent (provided for in items 423.00 or 423.96, part 2C, schedule 4, or 603.70, part 1, schedule 6) until the close of June 30, 1988. There will be no change in the column 2 rate of duty.

Section 2 provides for the effective date of the provision to be on or after the fifteenth day after the date of enactment of the Act.

Background and Justification

Yttrium, one of the rare earth elements, is obtained from several ores containing varying concentrations of the element or as a by-product of other metal refining processes. Low concentration ores and by-products are refined and upgraded to produce high purity refined yttrium products. One of the more important products is high-purity yttrium oxide, which has highly significant commercial and national defense applications.

Comparison With Present Law

Yttrium bearing ores (monazite or xenotime) are classifiable in several provisions of the TSUS. Monazite ore is believed to be provided for as thorium ore in TSUS item 601.45. Xenotime ore is believed to be provided for in the residual category for "other metal-bearing ores" in TSUS item 601.66. The column 1 and column 2 rates of duty are free for items 601.45 and 601.66. There is no preferential tariff treatment for LDDCs or under the Generalized

System of Preferences (GSP) for either of these two items. Yttrium bearing materials are classified under TSUS item 603.70; a residual provision for "other metal-bearing materials of a type commonly used for the extraction of metal or as a basis for the manufacture of chemical compounds". This TSUS category also includes yttrium concentrate which has been chemically dissolved from xenotime ore or monazite ore. Yttrium inorganic compounds are classified in TSUS item 423.00; a residual provision for "other inorganic compounds"; or in TSUS item 423.96, a residual provision for two or more inorganic compounds.

Yttrium concentrates imported under item 603.70 of the TSUS has a column 1 MFN duty rate of 6.3%. High-purity yttrium oxide and other inorganic compounds imported under item 423.0030 of the TSUS have a column 1 MFN duty rate of 4.4% ad valorem, and certain yttrium mixtures imported under item 423.96 of the TSUS have a column 1 MFN duty of 2.5% ad valorem. These products are eligible for duty-free treatment under the Generalized System of Preferences (GSP). These products are also scheduled for staged rate duty reductions under the Tokyo round of the MTN.

Effect on Revenue

It is estimated that based upon 1982 import data that the annual loss of revenue through enactment of this legislation would be approximately $150,000.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to the enactment of H.R. 2667.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 2667 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

Senate Action

A companion Senate bill (S. 2642) was introduced by Senator Goldwater.

SUMMARY OF TESTIMONY ON H.R. 2667

Administration

Department of Commerce: No objection to enactment of H.R. 2667.

Department of State: No objection to enactment of H.R. 2667.

Statements for the Record

Supports

The Honorable William Thomas M.C. (Calif.): Imported yttrium concentrate is used as feedstock in the refining of yttrium oxide. Yttrium oxide has important classified defense-related applications and commercial uses.

Union Molycorp: The two remaining U.S. refiners of high-purity yttrium oxide are dependent on imported yttrium concentrates for feedstocks because there are no significant domestic sources of yttrium.

H.R. 3158

Introduced by: Mr. Gibbons (FL)
Date: May 26, 1983

To implement the Customs Convention on Containers, 1972.

Summary of the Provision

H.R. 3158, if enacted, would provide permanant duty-free treatment for repair parts, accessories, and equipment of temporarily admitted containers.

Section-by-Section Analysis

Section 1 of H.R. 3158, if enacted, would amend subpart C of part 1 of schedule 8 of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting the words "accessories and equipment" in headnote 1, so as to include these items in the subpart to receive duty-free treatment. Secondly, the article description for item 808.00 is amended to include accessories and equipment for such containers whether the accessories and equipment are imported with a container or separately as long as such accessories and equipment will be reexported.

Section 2 of H.R. 3158 would amend subsection (a) of section 322 of the Tariff Act of 1930 (19 U.S.C. 1322(a)) by inserting the word "excepted" in lieu of the words "granted the customary exceptions", making the applicable clause more definitive.

Section 3 of H.R. 3158 would establish the effective date as that date on which the President proclaims that the Customs Convention on Containers becomes effective.

Background and Justification

By amending the Tariff Schedules of the United States and the Tariff Act of 1930, this legislation will provide for the duty-free entry of repair parts, accessories and equipment of temporarily admitted containers thereby bringing United States customs treatment into conformity with the Customs Convention on Containers, 1972.

Comparison with Present Law

Under current law, there is no allowance for the temporary duty-free admission of container repair parts, accessories and equipment. The enclosed amendments would give the authority to enter such articles under item 808.00 of the Tariff Schedules of the United States (TSUS) and the governing headnote 1 of subpart C of part 1 of schedule 8, TSUS. A conforming amendment to subsection (a) of 322 of the Tariff Act of 1930 (19 U.S.C. 1322(a)) would give

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the Secretary of the Treasury the authority to except these vehicles in international traffic from the application of the Customs laws in order to facilitate their movement pursuant to the Convention.

Effect on Revenue

The amount of customs revenues which would be lost due to the enactment of this legislation cannot be determined.

Subcommittee Action

Agency Reports

International Trade Commission submitted an informative report.

Department of Treasury supports enactment of H.R. 3158.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3158 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 3158

Administration

Department of Treasury: Supports enactment of H.R. 3158.

H.R. 3311

Introduced by: Mr. Vander Jagt (MI)
Date: June 14, 1983

To suspend for a three year period the duty on (Bicyclohexyl)-1-carboxylic acid 2-(diethylamino)ethyl ester hydrochloride, otherwise known as Dicyclomine hydrochloride.

Summary of the Provision

H.R. 3311, if enacted, would suspend the duty on Dicyclomine hydrochloride otherwise known as (Bicyclohexyl)-1-carboxylic acid 2-(diethylamine) ethyl ester hydrochloride for a three-year period.

Section-by-Section Analysis

Section 1 of H.R 3311, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 907.27 to suspend the column 1, MFN, duty on Dicyclomine hydrochloride provided for in item 412.02, part 1C, schedule 4, for a three year period. There will be no change in the column 2 rate.

Section 2 provides for the effective date of the Act to be on or after the 15th day after the date of enactment of the Act.

Background and Justification

Dicyclomine hydrochloride occurs as a white, odorless crystalline powder freely soluble in water. Dicyclomine hydrochloride is an autonomic drug that acts as an anticholinergic agent. It is used in the symptomatic treatment of disorders of the gastrointestinal tract, such as spastic colitis, ulcerative colitis, diverticulitis, and (in the past) peptic ulcer.

Comparison With Present Law

Dicyclomine hydrochloride is classifiable under TSUS item 412.02 as an autonomic drug provided for in the Chemical Appendix to the TSUS. The current column 1 rate of duty is 14.1 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 71.5 percent ad valorem.

This item is eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate of duty will be reduced to 8.2% in 1987.

Imports from designated beneficiary developing countries under TSUS item number 412.02 are eligible for duty-free entry under the Generalized System of Preferences (GSP). The LDDC rate of duty is

8.2 percent ad valorem.

Effect on Revenue

Based upon estimates of 1982 imports, future loss of revenue as a result of enactment of this legislation would be about $112,800 in 1983, declining to about $65,000 in 1987 because of staged reductions in the rates of duty.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 3311.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3311 favorably reported to the full Committee on Ways and Means by voice vote, with technical amendments, including changes in the article description and in the effective date to make the new provision effective 15 days after date of enactment and to have the provision expire on a date certain.

Senate Action

A companion bill (S-2198) was introduced by Senator Wallop.

SUMMARY OF TESTIMONY ON H.R. 3311

Administration

Department of Commerce: No objection to enactment of H.R. 3311.

H.R. 3312

Introduced by: Mr. Vander Jagt (MI)
Date: June 14, 1983

To suspend the duty for a three year period on 1-Piperidine-butanol, alpha-[4-(1,1-dimethylethyl)phenyl]-4-(hydroxy-diphenyl-methyl), otherwise known as terfenadine.

Summary of the Provision

H.R. 3312, if enacted, would suspend the duty on terfenadine otherwise known as 1-Piperidinebutanol, alpha-[4-(1,1-dimethylethy) pheryl]-4-(hydroxy-diphenylmethyl) until the close of September 30, 1987.

Section-by-Section Analysis

Section 1 of H.R 3312, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 907.25 to suspend the column 1, MFN, duty on terfenadine, otherwise known as 1-Piperidine butanol, alpha-[4-(1,1dimethylethyl)phenyl]-4-(hydroxy-diphenyl-methyl), provided for in item 411.58, part 1C, schedule 4, until the close of September 30, 1987. There will be no change in the column 2 rate.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of the Act.

Background and Justification

Currently, the Food and Drug Administration (FDA) lists terfenadine as an investigatory new drug not approved for use in the United States. The product, if approved, will be sold under the trademark Seldone.

According to the prospective importer, terfenadine is marketed in Europe as an antihistamine. The exact medical conditions for which terfenadine will be used in the United States will not be known until after FDA approval is obtained. The product is already being marketed in Europe and Canada.

Comparison With Present Law

Terfenadine has been imported into the United States for clinical trials under TSUS item 411.58 as an antihistamine not provided for in the Chemical Appendix to the TSUS.

The colum 1, MFN, rate of duty is 9.2 percent ad valorem and has been in effect since July 1, 1980. The current column 1 rate

reflects the full U.S. Multilateral Trade Negotiations (MTN) concession rate implemented with staging for articles classifiable under TSUS item 411.58. The pre-MTN rate was 1.7 cents per pound plus 12.5 percent ad valorem until June 30, 1980. The column 2 rate of duty is 7 cents per pound plus 82 percent ad valorem.

Imports from designated beneficiary developing countries under TSUS item 411.58 are elibible for duty-free entry under the Generalized System of Preferences (GSP). The LDDC rate of duty is the same as the column 1 rate of duty.

Effect on Revenue

It is estimated that the future loss of customs revenue as a result of this legislation would be about $830,000 annually, based on projected annual imports of 18,000 pounds of terfenadine.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 3312.

International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3312 favorably reported to the full Committee on Ways and Means by voice vote, with technical amendments, including changes in the article description and in the effective date to make the new provision effective 15 days after date of enactment and to have the provision expire on a date certain.

Senate Action

A companion bill (S.2197) was introduced by Senator Wallop.

SUMMARY OF TESTIMONY ON H.R. 3312

Administration

Department of Commerce: No objection to enactment of H.R. 3312.

H.R. 3313

Introduced by: Mr. Vander Jagt (MI)
Date: June 14, 1983

To suspend the duty for a three year period on 2-[4-(2-Chloro-1,2-diphenylethenyl)-phenoxy]-N,N-diethylethanamine dihydrogen citrate, otherwise known as clomiphene citrate.

Summary of the Provision

H.R. 3313, if enacted, would suspend the duty on clomiphene citrate otherwise known as 2-[4-(2-Chloro-1,2-diphenylethenyl)-phenoxy-]-N,N-diethylethanamine dihydrogen citrate until the close of September 30, 1987.

Section-by-Section Analysis

Section 1 of H.R 3313, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 907.29 to suspend the column 1, MFN, duty on clomiphene citrate otherwise known as 2-[4-(2-Chloro-1,2-dephenylethenyl)phenoxy]N,N-diethylethanamine dihydrogen citrate, provided for in item 412.50, part 1C, schedule 4, until the close of September 30, 1987. There will be no change in the column 2 rate.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Clomiphene citrate occurs as a white-to-pale yellow, crystalline powder and is sparingly soluble in water and in alcohol. Clomiphene citrate has both estrogenic and anti-estrogenic properties. The drug is used to induce ovulation in anovulary women. In addition, clomiphene citrate is used in small doses as an agent in therapy for male infertility. This chemical is used in the manufacture of the ethical pharmaceutical product (prescription drug) sold under the trademark Clomid.

According to industry sources, clomiphene citrate is not produced in the United States. The product is manufactured by Societe Chimique Grevis S.A., a wholly-owned subsidiary of Merrell Dow, and is located in France. It is also sold in the U.S. by Serano under the trademark Seraphene.

Comparison With Present Law

Clomiphene citrate is classified under TSUS item 412.50 as a hormone, synthetic substitute, or antagonist not provided for in the Chemical Appendix to the TSUS.

The column 1 rate of duty is 8.7 percent ad valorem and has been in effect since July 1, 1980. The current column 1 rate reflects the full U.S. Multilateral Trade Negotiations (MTN) concession rate implemented without staging for articles classifiable under TSUS item 411.50. The pre-MTN rate was 1.7 cents per pound plus 12.5 percent ad valorem until June 30, 1980. The column 2 rate of duty is 7 cents per pound plus 78.5 percent ad valorem.

Imports from designated beneficiary developing countries under TSUS item 411.50 are not eligible for duty-free entry under the Generalized System of Preferences (GSP). The LDDC rate of duty is the same as the column 1 rate of duty.

Effect on Revenue

It is estimated that the future loss of customs revenue as a result of this legislation would be $78,000 annually.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 3313.

International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3313 favorably reported to the full Committee on Ways and Means by voice vote, with technical amendments, including changes in the article description and in the effective date to make the new provision effective 15 days after date of enactment and to have the provision expire on a date certain.

Senate Action

A companion bill (S. 2172) was introduced by Senator Wallop.

SUMMARY OF TESTIMONY ON H.R. 3313

Administration

Department of Commerce: No objection to enactment of H.R. 3313.

H.R. 3330

Introduced by: Mr. Archer (TX)
Date: June 16, 1983

To amend the Tariff Act of 1930 to exempt from duties, equipments and repairs to certain vessels and for other purposes.

Summary of the Provision

H.R. 3330, if enacted, would exempt any U.S. flag vessel that is away from a U.S. port for at least two years from the 50% ad valorem duty on repairs and equipment purchases provided the repairs or equipment purchases were not made within 6 months of departure from a U.S. port and the vessel did not depart from a U.S. port for the purpose of obtaining overseas repairs.

Section-by-Section Analysis

Section 1 of H.R 3330, if enacted, would amend section 466(e) of the Tariff Act of 1930 (19 U.S.C. 1466(e)) to provide that any vessel referred to in subsection (a) of section 466 that arrives in the United States two or more years after its last departure shall pay applicable duties only with respect to 1) fishnets and netting, and 2) other equipments, parts and materials purchased and repairs made during the first 6 months after the last departure from the U.S. This exemption from duty would not apply if the vessel is designed and used primarily for transporting passengers and property and the vessel departed the U.S. for the sole purpose of obtaining such equipment, parts, materials or repairs.

Section 2(a) would make the amendment applicable to entries made in connection with arrivals of vessels on or after the 15th day after the date of the enactment of the Act.

Section 2(b) would provide retroactive applicability for: 1) entry made before the 15th day after date of enactment but not liquidated as of January 1, 1983, or 2) entry made before the date of enactment but which is the subject of an action in a court of competent jurisdiction on the date of introduction of the Act. This is provided that proper notifications are made on or before the ninetieth day after the date of enactment of the Act and provided there would have been no duty if the amendment made by the first section of the Act were implemented.

Background and Justification

U.S.-flag vessels engage in three types of trade: (1) domestic trade (trade carried out only between U.S. ports); (2) U.S./foreign trade (trade carried out between U.S. and foreign ports); and (3) foreign/foreign trade (trade carried out only between foreign ports).

U.S.-flag vessels engaged in foreign/foreign trade compete directly with foreign-flag vessels and usually operate at a competitive disadvantage due to foreign operators' lower wages and lower shipyard maintenance and repair costs. Since U.S.-flag vessels engaged in foreign/foreign trade are not eligible for subsidies, exempting these vessels from duties on foreign repairs and equipment would lower their operating costs and enhance their competitive posture in maritime trade.

A second category of vessels which are intended to be affected by this legislation consists of a myriad of small vessels, usually less than 500 DWT, who are engaged in the offshore supply vessel industry. It is believed that the world fleet is comprised of about 4,000 vessels with about 2,000 of them owned by U.S. firms. The vessels in this category consist of a variety of vessels including crew, tug, supply and combination-use vessels.

It is believed that about 400-500 of the total 2,000 U.S. owned vessels are currently in overseas service. The purpose of these vessels is to provide a logistical support system to offshore service and supply operations necessary to support the worldwide offshore oil exploration and production operation. This is a valuable resource to the United States maritime and industrial sectors. The ability to compete the worldwide environment in this business is of extreme importance as United States industry expands its search for national resources around the world. This legislation will enhance the ability of this sector of the maritime industry to compete in the world market-place for services.

Comparison With Present Law

The duty applicable to foreign-made equipment, parts, and materials for, and to repairs which are made in foreign ports upon, U.S.-flag vessels is provided for in section 466 of the Tariff Act of 1930. The prescribed rate of duty under the Act is 50 percent of the cost of such equipment or repairs in the foreign country and is assessed on the vessel's first arrival in a U.S. port. However, the duty may be remitted or refunded if the repairs are made or the equipment was purchased under emergency conditions, if the equipment was manufactured in the United States and the labor to make the necessary repairs was performed by U.S. residents or members of the regular crew of the vessel, or if the equipment, materials, or labor was used for dunnage or temporary protection for cargo.

Currently, shrimp boats and "special purpose" craft such as certain barges, certain tugs, oil drilling rigs, and oceanography vessels that remain away from U.S. ports for 2 or more years are exempt from duty on foreign equipment and repairs. The proposed legislation is intended to broaden those exemptions, added in Public Law 91-654 of January 5, 1971, to include U.S.-flag cargo and passenger vessels and offshore supply vessels which remain away from U.S. ports for 2 or more years and did not depart from the United States for the sole purpose of obtaining such equipment or purchases. Fishnets and netting would not be eligible for exemption under the terms of this legislation.

The following tabulation presents the total number of transactions and the total revenues received from duties on foreign repairs and equipment on U.S.-flag vessels during fiscal years (October 1 - September 30) 1977-82.

Year	Number of Transactions	Total Duties Collected
1977	801	$1,929,471.43
1978	777	2,237,716.43
1979	648	2,195,672.14
1980	935	2,821,093.92
1981	1,338	7,490,396.66
1982	1,251	11,958,332.31

The unusually large increase in 1981 and 1982 duties collected reflects large amounts of uncollected billings from previous years which were collected.

The retroactivity provided in this legislation provides that if formal court proceedings challenging the payment of this duty have been initiated prior to the introduction of the bill, then the exemption would cover those cases. Currently, Customs proceedings which apply to ship repairs have a provision for making a formal protest of duty assessment which is frequently used for these matters. If the party is not satisfied with the Customs action, he may then commence formal court action for relief.

Effect on Revenue

The average annual Customs revenue loss from enactment of this legislation is estimated to be $4.8 million, based on 1977-82 revenue figures. However, the bill, as drafted with the retroactivity clauses, could result in an estimated first year revenue loss of $12.0 million, and each year thereafter could result in a revenue loss of about $4.0 million.

Subcommittee Action

Agency Reports

The Department of Commerce does not object to enactment of H.R. 3330 if the retroactive provision is deleted.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3330 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment providing for an effective date 15 days after date of enactment.

SUMMARY OF TESTIMONY ON H.R. 3330

Administration

Department of Commerce: Objects only to retroactive provision, otherwise does not object to enactment of H.R. 3330.

H.R. 3445

Introduced by: Mr. Conable (NY)
Date: June 29, 1983

To suspend temporarily the duty on diphenyl guanidine and di-ortho-tolyl guanidine.

Summary of the Provision

H.R. 3445, if enacted, would suspend the duty on diphenyl guanidine and di-ortho-tolyl guanidine until the close of June 30, 1987.

Section-by-Section Analysis

Section 1 of H.R 3445, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 906.50 to suspend the column 1, MFN, duty on diphenyl guanidine and di-ortho-tolyl guanidine, provided for in item 405.52, part 1B, schedule 4, until the close of June 30, 1987.

Section 2 makes the provision effective on or after the fifteenth day following the date of enactment of the Act.

Background and Justification

DPG (diphenyl guanidine) and DOTG (di-ortho-tolyl guanidine) are two synthetic organic chemicals produced, in part, from benzene and toluene derivatives and used as intermediates in the U.S. rubber industry. Both chemicals are used as curing accelerators for synthetic and natural rubbers which are ultimately used in the production of automobile tires and shoe soles. The major users of DPG and DOTG are the U.S. tire manufacturers, such as: Goodyear, B.F. Goodrich, Uniroyal, Firestone and General Tire.

There is no known U.S. producer of these materials.

Comparison with Present Law

DPG and DOTG are classified under TSUS item 405.52, other nitrogen function compounds and their derivatives, found in schedule 4, part 1, subpart B of the Tariff Schedules of the United States (TSUS). The current column 1 rate of duty is 18 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 61 percent ad valorem. The LDDC rate is 15 percent ad valorem. Imports are not eligible for duty-free treatment under the Generalized System of Preferences (GSP).

This item is eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate of duty will be reduced to 15 percent ad valorem on January 1, 1987.

Before the Trade Agreements Act of 1979, these products were competitive with similar domestic products and were subject to a special basis of valuation for customs purposes known as the "American selling price" (ASP). When the conversion was made to an ad valorem equivalent (AVE) following the Trade Agreements Act of 1979, the higher duty was imposed on these products even though in 1982 there no longer was domestic production of the product.

Effect to Revenue

It is estimated that the future loss of revenue as a result of the enactment of this legislation would be $0.5 million annually in 1984 and would decline slightly in subsequent years due to the staged rate reduction in duty.

Subcommittee Action

Agency Report

The Department of Commerce has no objection to enactment of H.R. 3445.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3445 favorably reported to the full Committee on Ways and Means by voice vote, with a minor technical amendment.

Senate Action

A companion bill (S. 2022) was introduced by Senator Moynihan.

SUMMARY OF TESTIMONY ON H.R. 3445

Administration

Department of Commerce: No objection to enactment of H.R. 3445.

Statements for the Record

Supports

Mobay Chemical Corporation: Enactment would reduce manufacturing cost and help the U.S. tire industry become more competitive in world markets.

Rubber Manufactures Association: This bill would temporarily eliminate an unnecessary economic burden and thereby enhance the competitive position of the U.S. rubber industry.

H.R. 3709

Introduced by: Mr. Guarini (NJ)
Date: July 29, 1983

To extend the existing suspension of duty on natural graphite until January 1, 1988.

Summary of the Provision

H.R. 3709, if enacted, would extend the temporary suspension of duty on natural crystalline flake graphite for an additional three years until January 1, 1988.

Section-by-Section Analysis

Section 1 of H.R. 3709, if enacted, would amend item 909.01 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting the date 12/31/87 in lieu of 12/31/84 in the date column. This would effectively extend the temporary suspension of duty on natural crystalline flake graphite for an additional three years until January 1, 1988. Natural graphite is provided for in items 517.21 and 517.24 of part 1E, schedule 5.

Section 2 establishes the effective date of the legislation as December 31, 1984, when the current temporary extension expires.

Background and Justification

Natural graphite is divided into two commercial classes--crystalline and amorphous. Natural crystalline graphite is marketed as flake, lump, chip and dust. Amorphous graphite, which is duty-free, is marketed in sizes ranging from fine powder to lumps the size of walnuts. It is common industry practice to blend different graphites in order to obtain a final product having the desired physical and chemical properties for specific uses. In many instances the composition of these blends is a trade secret.

Crystalline flake graphite has been deemed essential to the national defense and has been designated as a strategic material.

Comparison With Present Law

Under existing law, natural crystalline flake graphite, crude and refined (not including flake dust), is provided for in TSUS items 517.21 and 517.24 of part 1E, schedule 5. The column 1 (MFN) rate of duty for item 517.21 (value not over 5.5 cents per pound) is 5.3 percent ad valorem. The LDDC rate of duty is 3 percent ad valorem, and the column 2 rate of duty is 1.65 cents per pound. The duty on item 517.21 is scheduled to be reduced to 3% ad valorem by 1987 as a result of the Multilateral Trade Negotiations (MTN).

The column 1 (MFN) rate of duty for item 517.24 (value over 5.5 cents per pound) is 0.3 cents per pound. The column 2 rate of duty is 1.65 cents per pound.

The duty on these two items have been under suspension since October 22, 1975, and under current law the suspension is scheduled to continue until December 31, 1984. These graphite products are eligible for duty-free treatment under the Generalized System of Preferences (GSP).

Effect on Revenue

Based on the 1982 level of imports from non-GSP countries of the natural graphite covered by this legislation and the applicable rates of duty, the ITC estimates that enactment would result in a loss of customs revenue of about $26,000 in 1983.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 3709.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3709 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 3709

Administration

Department of Commerce: No objection to enactment of H.R. 3709.

Statements for the Record

Supports

California Cedar Products Company
Berol USA
Jensen's Incorporated
Musgrave Pencil Company, Inc.

Eberhard Faber Inc.
Pencil Makers Association, Inc.

The industry is largely comprised of small, privately held companies who must fight strong competition from abroad fueled by the strong dollar, while at the same time face fierce domestic competition.

H.R. 3731

Introduced by: Mr. Vander Jagt (MI)
Date: August 1, 1983

To extend temporary suspension of duties on certain clock radios until September 30, 1986.

Summary of the Provision

H.R. 3731, if enacted, would extend the temporary suspension of duty on certain clock radios until September 30, 1986.

Section-by-Section Analysis

Section 1 of H.R. 3731, if enacted, would amend item 911.95 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting the date 9/30/86 in lieu of 9/30/84 in the date column. This will effectively extend the temporary suspension of duty on certain clock radios for an additional two years until September 30, 1986.

Background and Justification

This legislation would extend for an additional two years the temporary suspension of duty on certain clock radios provided for under Public Law No. 97-446 which was signed into law on January 12, 1983. Public Law No. 97-446 provided duty suspension for entertainment broadcast band receivers valued not over $40 each and incorporating timekeeping or time display devices not in combination with any other article, and not designed for motor vehicle installation. The term "entertainment broadcast band receivers" is defined as those receivers designed principally to receive signals in the AM (53-1710KHz) and FM (88-108MHz) entertainment broadcast bands, whether or not they are capable of receiving signals on other bands such as aviation, television, marine, public safety, industrial and citizens bands.

Imports of clock radios were 9.4 million units in 1980 and 9.8 million units in 1981. This is down approximately 10 percent from the 1977-78 levels. Imports in 1980 were valued at $101 million and 1981 at $109 million. Major suppliers of these imports in 1982 were as follows:

Country	Percent of Imports
Hong Kong	44
Singapore	31
Japan	10
Taiwan	6

Exports of all types of radios from the U.S. totalled 413,000 units in 1982. The portion of this which is clock radios is unknown.

It is believed that 80 percent of the clock radios imported are equipped with solid state clocks and would be duty-free for 3 years under this legislation.

Comparison with Present Law

Entertainment broadcast band receivers are currently provided for in the Tariff Schedules as item 685.24. However, under 911.95 of the Appendix to the Tariff Schedules of the United States, the column 1 duty is currently suspended until September 30, 1984. The duty on this item is 8.2 percent ad valorem for column 1 entries, 6 percent ad valorem for LDDC entries, and 35 percent ad valorem for column 2 entries. In addition, the item is scheduled for column 1 staged reductions under the 1979 MTN agreement as shown below:

Date	Column 1 duty rate for item 685.24
January 1, 1984	7.7% ad valorem
January 1, 1985	7.1% ad valorem
January 1, 1986	6.6% ad valorem

Also, the item is subject to duty-free entry from countries qualifying for such under the Generalized System of Preferences, except for Hong Kong, Singapore, Taiwan, and the Republic of Korea because these countries have exceeded the "competitive need" import limitations set forth in section 504(c) of the Trade Act of 1974 (19 U.S.C. 2464(c)).

The decision in United States v. Texas Instruments, Inc., decided March 25, 1982, Appeal 81-23, the Court of Customs and Patent Appeals reiterated that solid state electronic clock mechanisms are not "movements". Thus, they are not with the constructive separation provisions of headnote 5, subpart E, part 2 of schedule 7, which deal only with the movements. As a result, the proposed legislation would also affect the solid state clock or timing portions of clock radios.

Effect on Revenue

Based on 1981 import statistics, it is estimated that the revenue loss resulting from this proposed legislation would be $9.5 million annually.

Subcommittee Action

Agency Reports

The U.S. Trade Representative has no objection to a one-year suspension.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3731 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment reducing the effective period from 3 years to 2 years.

Senate Action

A companion bill, S. 1771, was introduced in the Senate.

SUMMARY OF TESTIMONY ON H.R. 3731

Administration

U.S. Trade Representative: Opposes enactment of H.R. 3731 as written but has no objections to a one-year suspension.

Statements for the Record

Supports

General Time Corporation: Duty-free treatment reduces the bonded cost of the imported product resulting in lower wholesale and retail prices of clock radios. The bill will not adversely affect any domestic manufacturers and will benefit the consuming public.

General Electric Company: The suggestion that GSP proposal would achieve the same result as a duty suspension is unpredictable, because it appears doubtful that a GSP extension will be enacted before the current duty suspension expires on September 30, 1984.

H.R. 3740

Introduced by: Mr. Albosta (MI)
Date: August 2, 1983

To suspend for a three year period the duty on 3-[Hydroxydiphenylacetyl)oxy]-1,1-dimethylpiperidinium bromide, commonly called mepenzolate bromide.

Summary of the Provision

H.R. 3740, if enacted, would suspend the duty on mepenzolate bromide otherwise known as 3[Hydroxydiphenylacetyl) oxy]-1,1-dimethylpiperidinium bromide until the close of September 30, 1987.

Section-by-Section Analysis

Section 1 of H.R. 3740, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 906.53 to suspend the column 1, MFN, duty on mepenzolate bromide, provided for in item 412.02, part 1C, schedule 4.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Mepenzolate bromide is an active ingredient used in the manufacture of the ethical pharmaceutical product (prescription drug) sold under the trademark Cantil. The product is an anti-cholinergic.

It is believed that mepenzolate bromide is not manufactured in the United States although there may be other resultant competitive drugs which are manufactured domestically.

Comparison With Present Law

Mepenzolate bromide is classifiable under TSUS item 412.02 as a drug provided for in the Chemical Appendix to the TSUS. The current column 1 rate of duty is 14.1 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 71.5% ad valorem.

This item is eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate of duty will be reduced to 8.2% in 1987.

Imports from designated beneficiary developing countries under TSUS item number 412.02 are eligible for duty-free treatment under the Generalized System of Preferences (GSP). The LDDC rate of duty is 8.2% ad valorem.

Effect on Revenue

It is estimated that the future loss of revenue as a result of enactment of this legislation would be less than $50,000 in 1983, declining in ensuing years as a result of staged rate reductions unless import levels increase.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 3740.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3740 favorable reported to the full Committee on Ways and Means by voice vote, with minor technical amendments, including a change in the article description to "mepenzolate bromide", the accepted chemical name for this product.

Senate Action

A companion bill (S. 2056) was introduced by Senator Symms.

SUMMARY OF TESTIMONY ON H.R. 3740

Administration

Department of Commerce: No objection to enactment of H.R. 3740.

H.R. 3741

Introduced by: Mr. Albosta (MI)
Date: August 2, 1983

To suspend for a three year period the duty on 5H-Dibenz [b,f]azepine-5-propanamine, 10,11-dihydro-N-methyl-,monohydrochloride, commonly called desipramine hydrochloride.

Summary of the Provision

H.R. 3741, if enacted, would suspend the duty until the close of September 30, 1987 on desipramine hydrochloride otherwise known as 5H-Dibenz[b,f] azepine-5-propanamine, 10,11dihydro-N-methyl, monohydrochloride.

Section-by-Section Analysis

Section 1 of H.R. 3741, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 906.54 to suspend the column 1, MFN, duty until the close of September 30, 1987 on desipramine hydrochloride provided for in item 412.30, part 1C, schedule 4.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Desipramine hydrochloride is an active ingredient used in the manufacture of the ethical pharmaceutical product (prescription drug) sold under the trademark Norpramin. The product is an anti-depressant.

It is believed that desipramine hydrochloride is not manufactured in the United States although there may be other resultant competitive drugs which are manufactured in the U.S. It is also sold in the U.S. by USV Pharmaceutical, under the trademark Petrofrane. The Petrofrane active ingredient is imported from outside the U.S.A.

Comparison with Present Law

Desipramine hydrochloride is classifiable under TSUS item 412.30. The current column 1 rate of duty is 9.6 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 45.5% ad valorem.

This item is eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate of duty will be reduced to 6.6% in 1987. The LDDC rate of duty is 6.6% ad valorem.

Effect on Revenue

It is estimated that the future loss of revenue as a result of enactment of this legislation would be less than $100,000 in 1983, declining in ensuing years as a result of staged rate reductions unless import levels increase.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 3741.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3741 favorably reported to the full Committee on Ways and Means by voice vote, with minor technical amendments, including changing the article description to "desipramine hydrochloride", the accepted chemical name for this product.

Senate Action

A companion bill (S. 2055) was introduced by Senator Symms.

SUMMARY OF TESTIMONY ON H.R. 3741

Administration

Department of Commerce: No objection to enactment of H.R. 3741.

H.R. 3742

Introduced by: Mr. Albosta (MI)
Date: August 2, 1983

To suspend for a three year period the duty on hydrazone, 3-(4-methylpiperazinyliminomethyl)rifamycin SV.

Summary of the Provision

H.R. 3742, if enacted, would suspend the duty on rifampin until the close of September 30, 1987.

Section-by-Section Analysis

Section 1 of H.R. 3742, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 906.99 to suspend the column 1, MFN, duty until the close of September 30, 1987 on rifampin, otherwise known as hydrazone, 3-(4-methylpiperaziny-liminomethyl) refamycin SV, provided for in item 437.32, part 3B, schedule 4.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Hydrazone, 3-(4-methylpiperazinyliminomethyl)rifamycin SV commonly called rifampin is an active ingredient used in the manufacture of the ethical pharmaceutical product (prescription drug) sold under the trademarks Rifadin and Rifamate. The product is an antibiotic. The chemical name for rifampin is hydrazone, 3-(4-methylpiperazinyliminomethyl) rifamycin SV.

Comparison With Present Law

Rifampin is classifiable under TSUS item 412.02 as a drug provided for in the Chemical Appendix to the TSUS. The current column 1 rate of duty is 4.4 percent ad valorem. The column 2 rate of duty is 25.0% ad valorem.

This item is eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate of duty will be reduced to 3.7% in 1987.

Imports from designated beneficiary developing countries under TSUS item number 412.02 are eligible for duty-free treatment under the Generalized System of Preferences (GSP). The LDDC rate of duty is 3.7% ad valorem.

Effect on Revenue

It is estimated that the future loss of revenue as a result of enactment of this legislation would be less than $200,000 in 1983, declining in ensuing years as a result of staged rate reductions unless import levels increase.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 3742.

The International Trade Commission submitted a informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3742 favorably reported to the full Committee on Ways and Means by voice vote, with minor technical amendments, including changing the article description to "rifampin", the accepted chemical name for this product.

Senate Action

A companion bill (S. 2054) was introduced by Senator Symms.

SUMMARY OF TESTIMONY ON H.R. 3742

Administration

Department of Commerce: No objection to enactment.

H.R. 3983

Introduced by: Mr. Heftel
Date: September 26, 1983

Regarding the operation of certain duty-free sales enterprises.

Summary of the Provision

H.R. 3983, if enacted, would permit State and local government authorities having jurisdiction over airports or other exit points to require that operators of duty-free sales enterprises in such locations obtain concessions or approval before beginning business.

Section-by-Section Analysis

H.R. 3983, if enacted, would amend section 555 of the Tariff Act of 1930--a provision dealing with customs bonded warehouses--to permit State and local government authorities having jurisdiction over airports or other exit points to require that operators of duty-free sales enterprises in such locations obtain concessions or approval before beginning business. Moreover, the legislation would prohibit transfers of merchandise covered by customs bonds to such facilities unless operators who are required to obtain concessions produce evidence of compliance to the Secretary of the Treasury. Finally, the legislation sets forth a definition of the term "duty-free sales enterprise."

The legislation would expressly protect the right of State and local governments to collect revenues through the use of licenses for such stores, and provide a means for assuring that other requirements of these government entities are met. The legislation would have no effect on duty-free shops in locations where concessions are not demanded.

Background and Justification

H.R. 3983, would expressly protect the right of State and local governments to collect revenues through the use of licenses for such stores, and provide a means for assuring that other requirements of these governments entities are met.

"Duty-free stores," as operated in the United States, are bonded warehouses covered by special Customs procedures wherein merchandise is offered for sale, to travellers leaving the customs territory, without payment of U.S. duties and taxes. Such stores are not specifically provided for in statutes or regulations; their administration has been accomplished by means of Customs' internal directives and circulars.

Since the Customs Service is responsible for approving applications to operate bonded warehouses, including the stores, and since there is often limited available space for new operations, there have been numerous disputes over operating rights--involving Customs, existing stores, public authorities, and prospective stores. Public authorities (State or local port authorities, etc.) which own or control facilities may require a potential operator to obtain a concession (a grant by the government entity of specific privileges, usually in return for a payment and/or a share of revenues); however, the Customs Service reviews applicants to see if they will comply with Customs regulations, not on the basis of possession of a concession. Thus, an applicant having such a grant may fail to be approved by Customs, while one not holding a concession may receive Customs' permission to operate a warehouse or store. The proposed legislation would effectively terminate the movement of bonded merchandise into any duty-free sales enterprise for sale and export unless State and local approval has been given.

Comparison with Present Law

New provision.

Effect to Revenue

The effect on future customs revenue cannot be determined.

Subcommittee Action

Agency Reports

The International Trade Commission submitted a informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3983 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 3983

Administration

We have heard of no objection.

Statements for the Record

Supports

Honolulu Airlines Committee: Enactment of this bill would help retain the current revenues used to maintain the state airport systems.

Duty Free Shoppers Group Ltd.: Enactment of this bill would give express statutory recognition to duty-free shops as a special type of customs bonded warehouse and permit ony authorized concessionaires to operate duty-free shops at international exit points.

H.R. 4035

Introduced by: Mr. Jacobs (IN)
Date: September 29, 1983

To suspend temporarily the duty on a certain chemical intermediate.

Summary of the Provision

H.R. 4035, if enacted, would suspend the duty on (6R,7R)-7-[(R)-2-Amino-2-phenylacetamido]-3-methyl-8-oxo-5-thia-1-azabicyclo [4.2.0]oct-2-ene-2-carboxylic acid disolvate through December 31, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4035, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 906.51 to suspend the column 1, MFN, duty on (6R,7R)-7-[(R)-2-Amino-2-phenylacetamido]-3-methyl-8-oxo-5-thia-1-azabicyclo[4.2.0]oct-2-ene-2-carboxylic acid disolvate ("Antibiotic Intermediate"), provided for in item 406.42, part 1B, schedule 4, through December 31, 1986.

Section 2 makes the processes effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

The purpose of this bill is to suspend the duty for a temporary three-year period on a high-technology organic chemical intermediate used in the manufacture of a semi-synthetic antibiotic. The semi-synthetic antibiotic is used domestically and also is widely exported to countries such as Japan and other foreign markets for the treatment of infectious deceases.

Comparison with Present Law

As a result of the Trade Agreements Act of 1979, this intermediate chemical is currently classified in TSUS item 406.42 (other heterocyclic compounds). Item 406.42 has a column 1 and an LDDC duty rate of 13.5 percent ad valorem. The column 2 rate of duty is 7 cents per pound plus 52 percent ad valorem. The column 1 rate of duty is not scheduled for annual staged reduction within the framework of the Tokyo round.

Imports of the chemical are not eligible for duty-free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

It is estimated that the future loss to revenue as a result of the enactment of this legislation would be $5.0 million annually based upon estimated annual imports of the product of about 140,000 kgs per year.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4035.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4035 favorable reported to the full Committee on Ways and Means by voice vote, with an amendment changing the effective date to 15 days after the date of enactment.

SUMMARY OF TESTIMONY ON H.R. 4035

Administration

Department of Commerce: No objection to enactment.

H.R. 4087

Introduced by: Mr. Moore (LA)
Date: October 5, 1983

To provide for a three-year suspension of the duty on B-naphthol.

Summary of the Provision

H.R. 4087, if enacted, would provide for a three-year suspension of the duty of B-baphthol until June 30, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4087, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new TSUS item 907.06 to provide for the temporary suspension of duty on B-naphthol (provided for in item 403.29, part 1B, schedule 4) until June 30, 1986.

Section 2 provides that the temporary duty suspension would be effective on and after the 15th day of enactment of this Act.

Background and Justification

The synthetic organic chemical, B-naphthol, is derived from naphthalene. Currently, this chemical is principally used as an intermediate in the production of pigments and dyes. Previously, the main use was as an antioxidant in synthetic rubber; however, this use has declined in the past few years. It is also used in the production of fungicides, pharmaceuticals, perfumes, and as an antiseptic. There are no significant differences in the quality of the domestic and foreign products.

In 1981, imports of B-naphthol, by quantity, were 2.9 million pounds. The majority of these imports were from Poland, Italy and West Germany. Smaller amounts were also imported from Taiwan and the People's Republic of China. The imports from Italy were primarily shipped to Montedison USA, Inc., while imports from West Germany were shipped to American Hoechst Corporation. It is believed that there are approximately 8-10 importing firms in addition to the two just mentioned which import this product. There were no imports from column 2 sources.

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U.S. imports for the past 5 years were as follows:

Year	Quantity (1,000 pounds)
1978	3,236
1979	2,204
1980	6,500
1981	2,893
1982	2,900

Since 1982, industry sources estimate exports of this chemical have been nil because of the cessation of domestic production. Prior to 1982, export data on this chemical are not available since B-naphthol is classified in a residual (basket) Schedule B number for alcohols.

Data for domestic consumption of B-naphthol are not available, however, an industry source indicated that domestic consumption was essentially the same as domestic production during 1971-81. In 1982, imports accounted for a more significant portion of domestic consumption, especially in the latter half of that year.

Comparison with Present Law

Tariff Treatment

As a result of the Trade Agreements Act of 1979, B-naphthol is presently classified in TSUS item 403.28 (naphthols). Item 403.28 has a column 1 (MFN) rate of duty of 0.2 cents per pound plus 22.7 percent ad valorem and is scheduled to be reduced to a column 1, MFN, duty of 20% by January 1, 1987, under the staged rate reductions. The column 2 rate is 7 cents per pound plus 73 percent ad valorem; the LDDC rate is 20 percent ad valorem. The column 1 rate of duty is scheduled for annual staged reductions within the framework of the Tokyo round of the MTN. The chemicals classified in item 403.28 are not eligible for duty free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

The following are estimated revenue losses for a three year period, from 1983 through 1985, if this legislation were enacted. 1983 - $1,290,000; 1984 - $1,613,000; 1985 - $1,847.000.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4087.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4087 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 4087

Administration

Department of Commerce: No objection to enactment.

H.R. 4088

Introduced by: Mr. Moore (LA)
Date: October 5, 1983

To provide for a temporary suspension of the duty on 6-amino-1-naphthol-3-sulfonic acid until June 30, 1986.

Summary of the Provision

H.R. 4088, if enacted, would provide for a temporary suspension of duty on 6-amino-1-naphthol-3-sulfonic acid otherwise known as J-Acid until June 30, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4088, if enacted, would amend subpart B of part 1 of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new TSUS item 907.03 to provide for the temporary suspension of duty on a certain sulfonic acid (provided for in item 405.00, part 1B, Schedule 4) until June 30, 1986.

Section 2 provides that the temporary duty suspension will become effective on and after the fifteenth day after the date of enactment of the Act.

Background and Justification

J-Acid is a chemical used extensively as an intermediate for dyestuff manufacture with major uses for coloring paper products, cotton products, viscose and fiberglass. The primary paper usages include bathroom tissues, towels, napkins, facial tissues, stationary and business forms. The only reported U.S. producer was American Color and Chemical Corporation, which discontinued production in 1981. Current sources of supply are from Italy, West Germany, Japan and China (People's Republic). Total imports in 1981 were reported to be 815,000 pounds.

Comparison With Present Law

This chemical provided under item 405.00 of the TSUS currently has an MFN, column 1 duty rate of 10% ad valorem. The column 2 rate of duty is $.07 per pound plus 51% ad valorem. The LDDC rate of duty is 6.8% ad valorem. This item is scheduled for annual staged reductions to 1987 within the framework of the Tokyo round of the Multilateral Trade Negotiations (MTN). This item is not eligible for duty-free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

It is estimated that the loss of tariff revenue will be approximately $410,000 per year and will decline until 1987 when the tariff reaches maximum reduction under the staged level of tariff reduction.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4088.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4088 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 4088

Administration

Department of Commerce: No objection to enactment.

H.R. 4089

Introduced by: Mr. Moore (LA)
Date: October 5, 1983

To provide for a temporary suspension of the duty on 2-(4-aminophenyl)-6-methylbenzothiazole-7-sulfonic acid until June 30, 1986.

Summary of the Provision

H.R. 4089, if enacted, would provide for a temporary suspension of duty on 2-(4-aminophenyl)-6-methylbenzo-thiazole-7-sulfonic acid until June 30, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4089, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new item 907.09 to provide for the temporary suspension of duty on dehydrothiotoluidine sulfonic acid (provided for in item 406.40, part 1B, schedule 4) until June 30, 1986.

Section 2 provides that the temporary duty suspension will become effective on and after the fifteenth day after the date of enactment of the Act.

Background and Justification

Dehydrothiotoluidine Sulfonic Acid (DSA) is a chemical intermediate used primarily for production of dyes used in the paper manufacturing business. There are no known domestic suppliers for this intermediate since the discontinuation of production by DuPont at the end of 1979. All current imports come from Europe and imports were reported to be 405,000 pounds in 1981. DSA is a major component and a significant cost factor in U.S. paper dye production.

Comparison With Present Law

This chemical, provided for under item 406.40 of the TSUS, currently has a MFN, column 1 duty rate of $0.017 per pound plus 16.2% ad valorem. The column 2 rate is $0.07 per pound plus 52.0% ad valorem. This chemical classified in item 406.40 is not eligible for duty-free entry under the Generalized System of Preferences (GSP).

Effect on Revenue

It is estimated that the annual loss of tariff revenue, based upon the current levels of import, would be $200,000.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4089.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4089 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 4089

Administration

Department of Commerce: No objection to enactment.

H.R. 4178

Introduced by: Mr. McKinney
Date: October 20, 1983

To amend the Tariff Act of 1930 to increase from $250 to $1,250 the value of goods eligible for informal entry, and for other purposes.

Summary of the Provision

H.R. 4178, if enacted, would increase from $250 to $1,250 the value of goods eligible for informal entry.

Section-by-Section Analysis

Section 1 of H.R. 4178, if enacted, would increase the dollar amount which determines whether imported merchandise may be entered by informal entry procedures from the current level of $250 to $1,250. The $250 amount was last increased in 1953 from the previous level of $100 enacted in the Tariff Act of 1930. The increased limit would not apply to "textile goods and products . . ., merchandise subject to quantitative import restrictions, articles subject to antidumping or countervailing duties, or any other article for which formal entry is required without regard to value."

Section 2 makes the provision effective after the 15th day after the date of the enactment of this Act.

Background and Justification

All merchandise imported into the customs territory of the United States must be "entered." The entry of that merchandise means that the consignee (or importer, or agent of either) has filed with the appropriate Customs officer the documentation required to secure the release of the imported merchandise from Customs custody. Whereas the formal entry prccedure ordinarily requires the services of a customshouse broker, the posting of bonds, a formal appraisement of the merchandise, and the like, the informal entry procedure generally requires no bond, no formal appraisement, and permits the entry documents to be filled out by the importer.

The requirements for making a formal entry are set forth in section 484 of the Tariff Act of 1930, as amended (19 U.S.C. 1484) and part 141 of the Customs Regulations (19 C.F.R. 141). Such entries must be prepared by an importer, or his agent, and must be accompanied by a number of documents such as an invoice, a bill of lading, or a carrier's certificate. The importer is required to obtain a bond and the goods must be appraised and classified by a customs officer, after which the entry is

liquidated. Among the data required on a formal entry for statistical purposes are the 7-digit Tariff Schedules of the United States Annotated (TSUSA) reporting number, countries of origin and exportation, date of exportation, quantities, entered and transaction values, and transportation charges.

Generally, shipments of merchandise valued at $250 or less are permitted to be entered under an "informal entry." An informal entry is one in which documentation requirements are held to a minimum (usually a single brief Customs form), and release of the merchandise is immediate upon payment of any estimated duties and taxes. Section 143.21, Customs Regulations (19 C.F.R. 143.23), sets forth the documentation required for such entries. The informal entry document is usually completed by the importer (or the customs officer for the importer) at the place where the imported merchandise is examined and released by the customs officer (e.g., pier, airport terminal, etc.). There is no formal appraisement of the goods; few supporting documents are required; and the importer is not required to obtain a bond. Whereas detailed statistical data must be provided for formal entries, the Census Bureau no longer compiles import statistics on informal entries directly from the forms filed by importers with the Customs Service. These forms are no longer sent to the Census Bureau. The Census Bureau now estimates data on informal entries based on the preceding year's entered values.

Legislation to increase the threshold for informal entries has been offered several times in recent years. Extended discussion of a similar proposal occurred during consideration of the Customs Procedural Reform and Simplification Act of 1978 when the proposal was deleted from the bill as reported by the Committee on Ways and Means. At that time, the U.S. Customs Service and other proponents of the change argued that passage of time coupled with the increase in inflation made the 1953 level of $250 unrealistically low. They further argued that the cost to the government of formal processing for entries valued between $250 and $1,000 outweighed any benefits (e.g., additonal duty collections) derived from the formal entry process.

On the other hand, it was argued that the proposed increase in the value limitation would undermine enforcement of various import restrictions (e.g., the textile and apparel import program), and create greater risk of circumvention of these restrictions as well as other customs regulations. The fear was expressed that under the revised value criteria, it would be possible for sizable shipments of "uncontrolled" imports to disrupt the U.S. market and still enter undetected by import monitoring programs.

Data for low-valued entries (i.e., entries valued at $250 or less) are not reported in the same detail, nor with the same frequency, as data for entries valued over $250. However, the Census Bureau has published estimates of U.S. imports valued at $250 or less through 1981. The Commission has tabulated those TSUS items in which low-valued entries totaled more tha $750,000 during 1980 and 1981.

In 1980, more than 75 TSUS items were reported by the Census Bureau as having at least $750,000 in low-valued entries. The aggregate value of the low-valued entries classified in these 75 items was in excess of $263 million. Thus, for example, low-valued entries classified in TSUS item 790.30 (harness, saddles and saddlery, and parts thereof) totaled more than $6.6 million in 1980. However, formal entries for this item in 1981 totaled more than $11.7 million.

Comparison with Present Law

Currently, formal entries are required on all shipments valued in excess of $250.

Effect on Revenue

This proposal does not directly affect the collection of customs revenues. The dutiability of imported merchandise will be unaffected by this legislation; however, it is believed that, the government could achieve significant savings in processing costs if entries valued between $250 and $1,500 are qualified for the lower-cost informal entry procedure.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4178 provided that the value of goods eligible for informal entry is reduced from $1,500 to $1,000 which is similar to the Senate version.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4178 favorably reported to the full Committee on Ways and Means by voice vote, with amendments changing the proposed increased ceiling for informal entries from $1,500 to $1,250 and more specifically defining the excepted articles for which the $250 ceiling would be maintained to be all articles classified in schedule 3, specified parts of schedule 7 and parts 2 and 3 of the Appendix to the TSUS. A technical amendment was also adopted changing the effective date to 15 days after date of enactment.

The Subcommittee understands that the Census Bureau will continue to compile and report statistics on excepted products valued over $250 in the same way and with the same frequency as the Bureau currently does for commodities reported on formal import documents.

SUMMARY OF TESTIMONY ON H.R. 4178

Administration

Department of Commerce: No objection to enactment of H.R. 4178 if similar to Senate version which reduces the value of goods eligible for informal entry from $1,500 to $1,000.

Public Witnesses

Oral Testimony

Supports

Congressman Stewart McKinney: The Senate Finance Committee reported favorably a bill similar to H.R. 4178 with amendments to address the concerns of groups initially opposed to informal entry. The amendments adopted in the Finance Committee are not expected to cause any controversy with regard to the House version.

Air Freight Association: Enactment of this bill would encourage an expansion of international trade and improve the efficiency of the U.S. Customs Service.

Air Transport Association of America: Enactment of this bill would reduce the cost of paperwork associated with importing merchandise, improve Customs Service productivity with resulting savings, and facilitate and encourage international trade.

Opposes

American Fiber, Textile, Apparel Coalition: AFTAC opposes the bill in its present form and prefers the Senate version which requires no further administrative determination as to what constitutes a "textile good or product." In addition, language should be added which would require the Census Bureau to continue to publish import data for the exempted products under section 205 in their regular published statistical series.

Leather Products Coalition: Enactment of this bill in current form would result in statistical discrepancies with respect to import data, and thus make import monitoring more difficult.

Statements for the Record

Opposes

F. W. Myers & Co., Inc.: H.R. 4178 permits shipments valued in excess of $3 billion to be imported on an informal basis.

International Ladies' Garment Workers' Union: Increasing the informal entry to $1,500 would seriously impair U.S. Customs' ability to enforce the various bilateral textile and apparel agreements negotiated under the umbrella of the Multifiber Textile Agreement. Careful identification is required to enforce that articles are correctly charged to the various quotas. Without formal verification procedures, imports would be open to all kinds of error and misrepresentations.

In February 1984, the average value of brassieres imported from the Philippine Republic was 74 cents per brassiere, equating into over 2,000 such brassiers per shipment imported into the U.S. under informal entry procedures.

National Customs Brokers & Forwarders Assoc. of America, Inc.: The NCBFAA feels that the ceiling for informal entry should be limited to $600 instead of $1,500. Also, shipments entered through the mail under "informal entry" procedures should be limited to a value of $250 and language should be included which would preclude the unauthorized practice of Customs brokerage by parties not holding a valid Customs broker's license.

H.R. 4223

Introduced by: Mr. Moore (LA)
Date: October 26, 1983

To suspend for a three year period the duty on 4-O-beta -D-Galactopyranosyl-D-fructose, commonly called lactulose.

Summary of the Provision

H.R. 4223, if enacted, would suspend the duty until September 30, 1987 on lactulose otherwise known as 4-O-beta-D-Galactopyranosyl-D-fructose.

Section-by-Section Analysis

Section 1 of H.R. 4223, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new item TSUS 907.76 to suspend the column 1, MFN, duty until September 30, 1987 on lactulose, provided for in item 439.50, part 3C of schedule 4.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Lactulose is an active ingredient used in the manufacture of the ethical pharmaceutical products (prescription drug) sold under the trademark Cephulac and Chronulac. These products are laxatives. The chemical name for lactulose is 4-O-beta-D-Galactopyranosyl-D-fructose.

Comparison With Present Law

Lactulose is classifiable under TSUS item 439.50 under the classification of "Other Drugs". The current column 1 rate of duty is 3.7 percent ad valorem. The column 2 rate of duty is 25% ad valorem.

This item is not eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate of duty will continue at 3.7% until January 1, 1987.

Imports from designated beneficiary developing countries under TSUS item number 439.50 are eligible for duty-free treatment under the Generalized System of Preferences (GSP). There is no LDDC rate of duty.

Effect on Revenue

It is estimated that the future annual loss of revenue as a result of enactment of this legislation would be about $220,000.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4223.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4223 favorably reported to the full Committee on Ways and Means by voice vote, with minor technical amendments, including amending the article description to "lactulose", the accepted chemical name of this product.

Senate Action

A companion bill (S. 2332) was introduced by Senator Bentsen.

SUMMARY OF TESTIMONY ON H.R. 4223

Administration

Department of Commerce: No objection to enactment.

H.R. 4224

Introduced by: Mr. Moore (LA)
Date: October 26, 1983

To suspend for a three year period the duty on nicotine resin complex.

Summary of the Provision

H.R. 4224, if enacted, would suspend until September 30, 1987 the duty on nicotine resin complex, commonly called nicorette.

Section-by-Section Analysis

Section 1 of H.R. 4224, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new item TSUS 907.73 to suspend the column 1, MFN, duty until September 30, 1987 on a nicotine resin complex, provided for in item 437.13, part 3B, schedule 4.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Nicorette is a product to be used as an aid for terminating the smoking habit. Assuming the FDA approves this drug, it will be available by prescription only. Merrell Dow Pharmaceuticals Inc. has filed a petition for approval with the U.S. Food and Drug Administration. The approval has not been granted as of yet. If the approval is obtained, the way will be cleared to market the product in the U.S. The product is being marketed in Canada and in European countries. The product is covered under composition patents owned by Atkiebolaget Leo, a Swedish corporation.

Comparison With Present Law

Nicorette is classifiable under TSUS item 437.13 as a compound of nicotine. The current column 1 rate of duty is 4.4 percent ad valorem. The column 2 rate of duty is 25% ad valorem.

This item is eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate of duty will be reduced to 3.7% by January 1, 1987.

Imports from designated beneficiary developing countries under TSUS item number 437.13 are eligible for duty-free treatment under

the Generalized System of Preferences (GSP). The LDDC rate of duty is 3.7% ad valorem.

Effect on Revenue

It is estimated that the annual future loss of revenue as a result of enactment of this legislation would be about $220,000 in 1983, declining in ensuing years as a result of staged rate reductions unless import levels increase.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4224.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommitee on Trade ordered H.R. 4224 favorably reported to the full Committee on Ways and Means by voice vote, with technical amendments, including changes in the article description and in the effective date to make it effective 15 days after date of enactment and to have the provision expire on a date certain.

Senate Action

A companion bill (S. 2334) was introduced by Senator Bentsen.

SUMMARY OF TESTIMONY ON H.R. 4224

Administration

Department of Commerce: No objection to enactment.

H.R. 4225

Introduced by: Mr. Moore (LA)
Date: October 26, 1983

To suspend the duty on iron dextran for a three year period.

Summary of the Provision

H.R. 4225, if enacted, would suspend until September 30, 1987 the duty on an iron dextran complex.

Section-by-Section Analysis

Section 1 of H.R. 4225, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new item to suspend the column 1, MFN, duty until September 30, 1987 on iron dextran complex, provided for in item 440.00, part 3C, schedule 4.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

According to an importer, Merrill Dow Pharmaceuticals Inc., Cincinnati, Ohio, the product is unique, with only one manufacturer in the world. It is a liquid product imported in 10-ml. vials and 2-ml. ampoules.

Iron dextran complex is used in the treatment of iron deficiency anemia.

Comparison with Present Law

Iron dextran is classifiable under TSUS item 440.00 as a drug imported in ampoules, capsules, lozenges, pills or other forms in medicinal doses. The current column 1 rate of duty is 4.4 percent ad valorem. The column 2 rate of duty is 25 percent ad valorem.

This item is eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate of duty will be reduced to 3.7 percent by January 1, 1987.

Imports from designated beneficiary developing countries under TSUS item number 440.00 are eligible for duty-free treatment under the Generalized System of Preferences (GSP). The LDDC rate of duty is 3.7 percent ad valorem.

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Effect on Revenue

Imports over the 5-year period from 1983-1987 will be an estimated $5 million, or an average of $1 million per year. The potential loss of revenue due to this legislation is estimatead to be $43,000 in 1984, $40,000 in 1985, and $39,000 in 1986. The lower loss figure in 1986 is due to staged reductions in the rates of duty.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4225.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommitee on Trade ordered H.R. 4225 favorably reported to the full Committee on Ways and Means by voice vote, with technical amendments, including changes in the article description and in the effective date to make the new provision effective 15 days after date of enactment and to have the provision expire on a date certain.

Senate Action

A companion bill (S. 2333) was introduced by Senator Bentsen.

SUMMARY OF TESTIMONY ON H.R. 4225

Administration

Department of Commerce: No objection to enactment.

H.R. 4232

Introduced by: Mr. Brooks (TX)
Date: October 27, 1983

To amend the Tariff Schedules of the United States to clarify the classification of any naphtha described as both a petroleum product and a benzenoid chemical.

Summary of the Provision

H.R. 4232, if enacted, would amend the Tariff Schedules of the United States (TSUS) to equalize the tariff treatment of naphthas described as petroleum products and those currently classified as benzenoid chemicals. Currently, naphthas derived from petroleum, shale oil, natural gas, or combinations thereof (except motor fuel) are classified under item 475.35 at a column 1 duty rate of 0.25 cents per gallon and a column 2 rate of 0.5 cents per gallon. Naphthas containing more than five percent dutiable benzenoid, however, are currently classified as other mixtures of organic chemicals containing benzenoid chemicals in item 407.16 at a column 1 rate of 1.7 cents per pound plus 13.6 percent ad valorem, but not less than the highest rate applicable to any component materials, and a column 2 rate of 7 cents per pound plus 43.5 percent ad valorem, but not less than the highest rate applicable to any component material. This legislation would amend headnote 1 to part 10 of schedule 4 of the TSUS so that all naphthas containing less than 25 percent of any product contained in part 1 of schedule 4, whether or not catalytic naphthas, would be classified in item 475.35 with a column 1 rate of duty of 0.25 cents per gallon.

Section-by-Section Analysis

Section 1 of H.R. 4232, if enacted, would amend headnote 1 to part 10 of schedule 4 of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting "naphthas (whether or not catalylic naphthas) provided for in item 475.35", immediately after "except".

The effect would be to apply the tariff rate currently applicable to naphthas derived from the distillation of petroleum to naphthas containing less than 25 percent benzenoids.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

The duty assessed on the benzenoid mixture under the currently applicable tariff provision, item 407.16, has effectively stopped imports. This has resulted in an increase in idle

production facilities for the importers. The proposed legislation would make the duty rate for naphthas which are benzenoid mixtures the same as those for naphthas described as petroleum products (classified in item 475.35). Such tariff treatment is needed to maintain a constant supply of the product to the importers' plants.

The naphtha described in this bill is a mixture of aliphatic (acyclic) and aromatic (benzenoid) compounds produced by catalytic reforming of crude petroleum. As a result of this reforming process, the final naphtha mixture usually contains between 30 and 40 percent benzenoid compounds of which 5 to 10 percent are dutiable under the TSUS.

This highly flammable product is used entirely in the blending of finished gasoline. It is not used for chemical conversions and is not an economical sources of aromatic compounds.

At the present time, the product is produced in the United States by the major domestic petroleum firms. Since virtually all of it is used in the blending of finished gasoline, the level of production may vary greatly depending upon demand and inventory. Most of the producers are also importers of the product and would also benefit from the new duty rate.

Data regarding domestic production of the product is not readily available as the domestic producers captively consume the product in the blending of finished gasoline. The imported product may also be used in this process, depending upon demand for gasoline.

In 1982, U.S. imports of this naphtha mixture amounted to 190 million pounds from Venezuela and Argentina. The Commission did not find any imports from column 2 sources.

There were no imports of the product in 1978 and 1979 under item 407.16 (formerly item 403.90). Imports during 1980-82 were as follows:

Year	Quantity (1,000 pounds)	Value (1,000 dollars)
1980	39,678	$ 5,875
1981	166,490	26,164
1982	189,676	24,826

From January 1981 through March 1983, the majority of the imports were duty-free as Venezuela and Argentina were GSP-designated countries during that time period. In 1980 and 1981, most imports were from Argentina. In 1982 the product was

imported primarily from Venezuela, with small amounts coming from Argentina. During January-March 1983, imports amounted to 925 million pounds, primarily from Venezuela. From April through September 1983 there were virtually no imports of the product as GSP eligibility for products imported from Venezuela under item 407.16 was withdrawn.

The major importers of the product during this period were probably the domestic gasoline producers, including Beaumont Oil Co. and Sun Refining and Marketing Co.

According to industry sources, the product is not exported in significant quantities because nearly all of it is consumed domestically in the blending of finished gasoline.

Data for domestic consumption of this product is not readily available because most of it is directly consumed in gasoline production.

Comparison with Present Law

As a result of the Trade Agreements Act of 1979, the subject product is presently classified in TSUS item 407.16 as other mixtures of organic chemicals containing benzenoid chemicals. Item 407.16 has a column 1 duty rate and an LDDC duty rate of 1.7 cents per pound plus 13.6 percent ad valorem, but not less than the highest rate applicable to any component materials. The column 2 duty rate is 7 cents per pound plus 43.5 percent ad valorem, but not less than the hightest rate applicable to any component material. The column 1 rate of duty is not scheduled for annual staged reductions within the framework of the Tokyo round.

Imports of the product from beneficiary developing countries other than Venezuela are eligible for duty-free entry under the Generalized Systems of Preferences (GSP).

Effect on Revenue

According to industry sources, the product is no longer being imported because Venezuela is no longer eligible for preferential treatment under the GSP with respect to imports under item 407.16. If, however, imports of the product were to continue in 1984 at the same rate as in the first three months of 1983 and a duty were assessed, the potential annual loss of revenue would be approximately $36 million.

Subcommittee Action

Agency Reports

The United States Trade Representative has no objection to enactment provided a loophole is closed that would permit importers to bring in high value benzenoid chemicals in a naphtha mixture thereby avoiding the high tariffs applicable to these chemicals.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4232 favorable reported to the full Committee on Ways and Means by voice vote, with an amendment providing for an amendment to headnote 1, part 10, of schedule 4 of the TSUS, which would have the effect of classifying all napthas (including catelytic napthas) containing not over 25 percent of benzenoid products, under TSUS item 407.35, thus obviating the need for new item 407.17, which has been dropped from the bill. The effective date has also been amended to conform to the other bills providing for an effective date 15 days after date of enactment.

SUMMARY OF TESTIMONY OF H.R. 4332

Administration

United States Trade Representative: No objection to enactment provided a loophole is closed that would permit importers to bring a high value benezenoid chemicals in a naphtha mixture.

Statements for the Record

Supports

The Honorable Jack Brooks, M.C. (Tex.): Strongly supports enactment of H.R. 4232.

The Louisiana Land and Exploration Company: High duty levels resulting from the U.S. Customs classification of important gasoline components as benzenoid products now effectively precludes the importation of products necessary for upgrading the nation's refinery output.

Beaumont Oil, Inc.: The U.S. Customs classifies certain imported hydrocarbon mixtures, commonly utilized as gasoline blendstocks by the domestic petroleum industry, as benzenoid compounds, rather than as petroleum products.

H.R. 4296

Introduced by: Mr. MacKay (Fla.)
Date: November 3, 1983

To amend the Tariff Schedules of the United States to establish equal and equitable classification and duty rates for certain imported citrus products.

Summary of the Provision

H.R. 4296, if enacted, would delineate between concentrated and nonconcentrated orange juice by inserting two new items in the Tariff Schedules of the United States (TSUS).

Section-by-Section Analysis

H.R. 4296, if enacted, would amend subpart A of part 12 of schedule 1 of the Tariff Schedules of the United States (12 U.S.C. 1202) by inserting two new items after item 165.25. New item 165.27 with a column 1 MFN duty rate of $.20 per gallon would apply to natural unconcentrated orange juice and juice which has not been made from a juice having a degree of concentration of 1.5 or more (approximately 17.3° Brix). Juices with a degree of concentration less than 1.5 are considered to be natural unconcentrated juice for tariff purposes. New item 165.29 would have a column 1 MFN duty rate of $.35 per gallon and would apply to all other juice including concentrated and reconstituted juices. The column 2 rate of duty for both items would remain at the current applicable level of $.70 per gallon.

The provision would be made effective the 15th day after the date of enactment of this Act.

Background and Justification

This legislation was introduced in an attempt to clearly deliniate the intended duties on concentrated and reconstituted orange juice and natural unconcentrated orange juice. The legislation was prompted by the increasing amount of imports of concentrated and reconstituted orange juice which are penetrating the domestic markets, some of which is being reconstituted for import.

Under current law, the tariff applicable to imported orange juice varies as to whether the juice is defined as being concentrated or not concentrated. Concentrated juice is subject to a column 1, MFN, duty of $.35 per gallon and unconcentrated juice is subject to a column 1, MFN, duty of $.20 per gallon. To avoid the higher duty, concentrated orange juice is being

brought into U.S. foreign trade zones and bonded warehouses for processing. Water is added and the resultant product is imported into the United States as a reconstituted orange juice subject to the lower tariff of $.20 per gallon.

Similar operations are occuring along the Canadian and Mexican borders where concentrated orange juice is being reconstituted for import and lower applicable duty.

In some instances, domestic concentrated orange juice is exported to one of the blending operations across the border and is blended with imported concentrate and the blend is packaged into retail size packages of concentrated orange juice for import into the U.S. These packages, therefore, are not required to bear any identification as to the country from which they were imported.

The operations defined above are designed to avoid the higher duty rate resulting in circumvention of the intended duties prescribed by Congress and to pose a serious threat to the domestic citrus industry. The legislation would establish two separate item numbers for imported orange juice. The lower duty of $.20 per gallon would apply to imports of natural strength unconcentrated orange juice and orange juice made with a degree of concentration less than 1.5 or about 17.3° Brix. The higher duty of $.35 per gallon would apply to concentrated juice and reconstituted juices made from juice with a Brix value of greater than 17.3°.

For purposes of determining the proper duty, the rate is applied to the number of gallons of natural unconcentrated juice or gallons of reconstituted juice as defined in headnotes 3(a) and (b) of schedule 1, part 12, subpart A of the Tariff Schedules of the U.S.

During 1978-82, Florida's production of all orange juice products (not concentrated and concentrated) rose from 867 million gallons (single-strength equivalent) to a high of 1,179 million gallons in 1980. Production declined to 649 million gallons in 1982 following back-to-back winter freezes in 1981 and 1982. It is believed that Flordia accounts for over 90 percent of the U.S. production of orange juice.

Frozen concentrated orange juice accounts for nearly 85 percent of Florida production of orange juice, with the remainder consisting of canned and chilled single-strength orange juice products. Production of not concentrated orange juice (canned and chilled single-strength juice) declined irregularly from 161 million gallons in 1978 to 111 million gallons in 1982.

During 1978-82, U.S. imports of orange juice (not concentrated and concentrated) ranged from a low of 101 million gallons, valued at $69 million, in 1980 to a high of 399 million gallons, valued at $326 million, in 1982. Brazil, Mexico, and West Germany were the leading suppliers of U.S. imports of orange juice in 1982.

U.S. imports of not concentrated citrus juice (the bulk of which is believed to be orange juice in 1981 and 1982) increased substantially from 148,000 gallons, valued at $547,000, in 1978 to 10 million gallons, valued at $15 million, in 1981. Imports then declined to 3 million gallons, valued at $6 million, in 1982. Mexico and Canada were the principal U.S. suppliers.

The principal U.S. importers of orange juice are U.S. processors of such juice.

U.S. imports of orange juice from column 2 sources have been negligible. Such imports totaled 189,000 gallons, valued at $96,000, in 1982.

U.S. exports of orange juice (not concentrated and concentrated) increased from 50 million gallons, valued at $99 million, in 1978 to 91 million gallons, valued at $140 million, in 1981 before declining to 76 million gallons, valued at $127 million, in 1982. Canada was the principal export market. West Germany, Netherlands, and France were also significant markets.

Exports of not concentrated orange juice declined irregularly from 9 million gallons, valued at $17 million, in 1978 to 8 million gallons, valued at $16 million, in 1982.

The major U.S. processing firms are believed to be the principal U.S. exporters of orange juice.

Apparent U.S. consumption of orange juice increased from 968 million gallons in 1978 to 1.2 billion gallons in 1980 before declining to 972 million gallons in 1982 following the successive winter freezes in Florida. The share of U.S. consumption supplied by imports ranged from 8 percent in 1980 to 41 percent in 1982.

During 1978-82, apparent U.S. consumption of not concentrated orange juice declined irregularly from 152 million gallons in 1978 to 106 million gallons in 1982. The share of consumption supplied by imports ranged from less than 0.5 percent in 1978 and 1979 to 8 percent in 1981.

Comparison With Present Law

Orange juice is classified in TSUS items 165.30 and 165.35 of the Tariff Schedules of the United States (TSUS). Orange juice is classified under fruit juices, including sweetened or unsweetened, mixed fruit juices, concentrated or not concentrated. It cannot contain over 1 percent of ethyl alcohol by volume. If concentrated, the juice may be in liquid, powder, or solid form. Item 165.30 covers not concentrated juices and the column 1, MFN, duty is $.20 per gallon. The column 1 rate reflects concessions granted on not concentrated citrus juice in 1939 and 1948. Reconstituted juices are covered under item 165.30 because they are "not concentrated." Item 165.35 covers concentrated juices and the column 1, MFN, duty is $.35 per gallon. The column 2 duty is $.70 per gallon for both items. Imported orange juice classified in these tariff items is not eligible for duty-free treatment under the Generalized System of Preferences (GSP) and no least developed developing country (LDDC) rates of duty are provided. For purposes of determining the item under which a given entry may be classified, any juice having a degree of concentration of less than 1.5 (as determined before correction to the nearest 0.5 degree) shall be regarded as a natural unconcentrated juice. The 1.5 degree of concentration is normally interpreted as 17.3° Brix for orange juice.

Juice containing over 1.0 percent of ethyl alcohol by volume is classified in item 165.70, dutiable at a column 1 rate of 26 cents per gallon plus $1.85 per proof gallon on the alcohol content, and at a column 2 rate of 70 cents per gallon plus $5 per proof gallon on the alcohol content. This juice would not be affected by the proposed legislation; nor would mixed fruit juices.

Drawback.--Processors which import and export orange juice products may be eligible to obtain a drawback of 99 percent of duties, fees, or taxes when, within five years of importation, products are exported (19 U.S.C. 1313). The exported products may have been made from imported orange juice (such as juice concentrate) or may be made from domestic articles of the same kind or quality.

In investigation No. 701-TA-184 (Final), the International Trade Commission determined that an industry in the United States was threatened with material injury by reason of imports of frozen concentrated orange juice which have been found by the Department of Commerce to be subsidized by the Government of Brazil.

Effect on Revenue

Enactment of this legislation would have the net effect of discouraging the blending and reconstituting operations and will result in an increase in revenue as a result of the application of the higher tariff to a larger volume of orange juice. The magnitude of revenue increase is difficult to predict, as the current level of reconstituted and blended volumes is difficult to determine with any degree of certainty. However, assuming that all imported not concentrated citrus fruit juice in 1982 was made from concentrated orange juice, and thus would be dutiable under proposed item 165.29, the total potential gain in customs revenues may amount to about $465,000 annually.

Subcommittee Action

Agency Reports

The U.S. Trade Representative will not support enactment of H.R. 4296.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4296 favorably reported to the full Committee on Ways and Means by voice vote, with minor technical amendments including a change in the effective date to 15 days after the date of enactment.

Senate Action

A companion bill, S. 1636, was introduced in the Senate by Senator Hawkins of Florida.

SUMMARY OF TESTIMONY ON H.R. 4296

Administration

U.S. Trade Representative: Will not support enactment of H.R. 4296.

Enactment of this legislation would likely subject the U.S. to claims for compensation in the form of reductions of U.S. tariffs on other products or retaliation in the form of increased tariffs affecting U.S. exports. There are other administrative remedies available, such as section 201 of the Trade Act of 1974, which USTR prefers be taken.

Statements for the Record

Supports

The Honorable de la Garza, M.C. (Tx): H.R. 4296 is a corrective legislative measure. It does not significantly change the tariff schedule for orange juice--it only clarifies the current tariff classification for pure and concentrated juice by separating them into two distinct sections. Separate classifications for concentrated and not concentrated (fresh) juice is the equitable thing to do.

Flordia Citrus Mutual: Florida Citrus Mutual is a cooperative association of citrus growers and processors, which represents more than 90 percent of the orange, grapefruit, and other citrus growers of Florida. The bill would correct an inequitable development in tariff classification which has resulted from manipulation of imported orange juice concentrate in circumvention of the intended classification and duty rate applicable to concentrated orange juice.

American Farm Bureau Federation: The new category classifications will clarify the existing classification so as to prevent entry of concentrated orange juice into a free trade zone for dilution to single strength juice to be entered into the United States at teh lower "not concentrated" rate.

Opposes

McDermott, Will & Emery: Imports of reconstituted orange juice are de minimis. They pose no threat to the domestic industry. The current classification is bound under the 1947 GATT concession and cannot be changed without creating a GATT compliance problem. Reconstituted orange juice has been recognized in the TSUS since 1963. Administrative remedies, such as section 201 of the 1974 Trade Act, are the preferred methods available under U.S. trade laws to aid domestic producers faced with unfair or injurious competition from imports.

Holiday Juice Ltd.: The current tariff is bound by GATT; the bill effect is negligible; the proposed legislation should be restricted to the specific abuse at which is aimed, namely the bulk importation of orange juice; and the legislation would disregard the recent 40 percent reduction by Canada of the duty of U.S. juice products exported into Canada and would confer, in both the U.S. and Canadian markets, one more significant, and unnecessary, advantage on U.S. juice processors vis-a-vis their Canadian counterparts.

H.R. 4316

Introduced by: Mr. Frenzel (MN)
Date: November 4, 1983

To amend the Tariff Act of 1930 regarding same condition drawbacks and same kind and quality drawbacks, and for other purposes.

Summary of the Provision

H.R. 4316, if enacted, would amend the Tariff Act of 1930 to allow for substitution, for drawback purposes of merchandise (whether imported or domestic) commercially identical to the imported merchandise.

Section-by-Section Analysis

Section 1 of H.R. 4316, if enacted, would amend section 313(j) of the Tariff Act of 1930 (19 U.S.C. 1313(j)) by inserting a new paragraph which would provide that 99% of the duty, tax or fee paid on certain imported merchandise shall be refunded as drawback even though only part, or none, of the imported merchandise may be actually exported or destroyed under Customs supervision. Drawback is provided if the same person requesting drawback, subsequent to importation and within three years of importation of the merchandise, exports from the United States or destroys under Customs supervision fungible merchandise (whether imported or domestic) which is commercially identical to the merchandise imported. In order to be eligible for drawback, the merchandise for which drawback is claimed shall not have been used within the United States before such exportation or destruction; it must have been in the possession of the person claiming drawback under this paragraph; and it must have been in the same condition at the time of exportation or destruction as was the imported merchandise at time of importation. Further, in no case may the refunded duty under this or any other section of law, exceed 99 percent of the duties paid on the imported merchandise.

Background and Justification

This legislation provides for the substitution of merchandise of a commercially identical nature to expedite merchandise handling and inventory control. Subsection (j) currently provides that imported merchandise on which duty is paid is eligible for drawback if such merchandise is exported or destroyed under Customs supervision in the same condition as when imported, within 3 years after importation, unless such merchandise has been used within the United States. This legislation would clarify the principle of substitution by allowing merchandise of an identical commercial nature to be substituted for the merchandise being imported for purposes of drawback as long as the merchandise being exported or destroyed has not been used within the United States.

Comparison with Present Law

See discussion above.

Effect on Revenue

The impact on revenue as a result of this legislation cannot be determined.

Subcommittee Action

Agency Reports

The International Trade Commission submitted an informative report.

The Department of Commerce has no objection to enactment of H.R. 4316.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 43.6 favorable reported to the full Committee on Ways and Means by voice vote, with an amendment classifying the language in the bill.

Senate Action

A companion bill (S. 1972) was introduced by Senator Roth.

SUMMARY OF TESTIMONY ON H.R. 4316

Administration

Department of Commerce: No objection to enactment of H.R. 4316.

Statements for the Record

Supports

The Honorable Bill Frenzel, M.C. (Minn.): The bill allows the use of "substitution" under the Same Condition Drawback law. Substitution would allow companies to co-mingle inventories to avoid the necessity of keeping imported goods separataed from fungible or commercially identical goods produced in this country.

DuPont: The bill will increase the profitability of exporting surplus inventory or goods needed to complete a freign order, will probably lead to increased U.S. employment and will lead to an increase in operations to be done in the United States on goods which are imported and will be reexported.

The Joint Industry Group: The bill would benefit exporters by eliminating cost of maintaining separate inventories. A difference of view exists for packaging operations performed in the U.S. upon imported or domestic merchandise, and the term "incidental operations" is not defined clearly in the existing statute.

The National Committee on International Trade Documentation: United States commercial activities related to import/export operations, as well as the United States itself, benefit from the importation of merchandise which may be exported in its same condition.

H.R. 4329

Introduced by: Mr. Philip Crane (IL)
Date: November 8, 1983

To extend until July 1, 1987, the existing suspension of duty on 4-chloro-3-methylphenol.

Summary of the Provision

H.R. 4329, if enacted, would extend the current suspension of duty on 4-chlors-3-methylphenol until July 1, 1987.

Section-by-Section Analysis

Section 1 of H.R. 4329, if enacted, would amend item 907.08 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) to provide for the continued temporary suspension of duty on 4-chloro-3-methylphenol provided for in item 403.56 by striking out "6/30/84" and inserting in lieu thereof "6/30/87". Thus providing an additional 3-year extension of the temporary suspension.

Section 2 would provide that the continued temporary duty suspension will apply to articles entered or withdrawn from warehouse on or after the 15th day after the date of the enactment of this Act. Provision is also made for the retroactive application of this legislation to June 30, 1984 under prescribed procedures.

Background and Justification

The synthetic organic chemical, 4-chloro-3-methylphenol, is derived from m-cresol. It is used primarily as a biocide and an antioxidant in the manufacture of machine cutting oils, in certain specialty products such as antidandruff shampoos and hand lotions, and is sensitive films such as x-ray and microfilms to protect these products during prolonged storage. It is also used as a chemical intermediate in the manufacture of more complex chemical products.

Imports into the United States of 4-chloro-3-methylphenol for 1980 and 1981 were 106,293 pounds and 274,472 pounds respectively.

Comparison with Present Law

The duty on 4-chloro-3-methylphenol was temporarily suspended under Section 230 of Public Law 97-446, enacted on January 12, 1983. The law suspended the duty until June 30, 1984. This legislation would extend the suspension for an additional three years until June 30, 1987.

Prior to the temporary suspension of duty, 4-chloro-3-methylphenol entered the United States under item 403.56 of the Tariff Schedules of the United States (TSUS). This item is a residual category of phenol derivatives which are listed in the Chemical Appendix of the Tariff Schedules.

With the suspension of duty, 4-chloro-3-methylphenol was removed from TSUS item 403.56. The new TSUS item, number 907.08, was created for it under subpart B of part 1 of the Appendix to the Tariff Schedules.

If the suspension is not extended, 4-chloro-3-methylphenol would again be dutiable at the rate applicable to TSUS item 403.56. In 1984, the column 1 rate for item 403.56 (the rate paid by countries with Most-Favored-Nation status) will be 1.1 cents per pound plus 19.4% ad valorem. This rate is scheduled to decline annually under staged rate reductions until it reaches 0.7 cents per pound plus 19.4% ad valorem in 1987.

Other rates of duty applicable to TSUS item 403.56 are an LDDC rate of 0.7 cents per pound plus 19.4% ad valorem with a column 2 rate of duty of 0.7 cents per pound plus 62% ad valorem.

Effect on Revenue

Based on Commission data and information provided by the major domestic importer of this chemical, the following are estimated revenue losses for a three-year period from 1984 through 1986:

Year	Estimated Revenue Loss ($1,000)
1984	$112
1985	136
1986	148

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4329.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4329 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment to provide for the retroactive application of this provision to June 30, 1984, the date that the existing provision expires.

SUMMARY OF TESTIMONY ON H.R. 4329

Administration

Department of Commerce: No objection to enactment of H.R. 4329.

Statements for the Record

Supports

The Honorable Philip M. Crane, M.C. (Ill.): Supports bill.

H.R. 4339

Introduced by: Mr. Frank Guarini (NJ)
Date: November 9, 1983

To amend the Tariff Schedules of the United States regarding the classification of certain articles of wearing apparel.

Summary of the Provision

H.R. 4339, if enacted, would change the tariff classification of most wearing apparel imported as part of sets except for suits, pajamas and other nightwear; playsuits, worksuits, and similar apparel; judo, karate and other oriental martial arts uniforms; swimwear; and infants' sets up to and including 24 months of age.

Section-by-Section Analysis

Section 1 of H.R. 4339, if enacted, would amend part 6, schedule 3 of the Tariff Schedules of the United States (TSUS) by changing the tariff classification of most wearing apparel imported as parts of sets except for suits; pajamas and other nightwear; playsuits, washsuits and similar apparel; judo, karate and other oriental martial arts uniforms; swimwear; and infants' sets up to and including 24 months of age. Apparel sets, which are now, in general, classified as entireties, would instead be classified according to their separate components. This would result in higher duties on garments imported as parts of sets, because most of the individual components (such as blouses or jackets) would be classified in tariff provisions having significantly higher rates of duty than those now applicable to articles classified as entireties.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Eo nomine provisions were first established for a large number of apparel articles on January 1, 1982, to implement tariff concessions granted by the United States during the Tokyo round of the Multilateral Trade Negotations (MTN). Before 1982, most apparel was described in terms of its composition (e.g., "of cotton") and fabric construction (i.e., "knit" or "not knit"), so that apparel articles of the same fiber and construction were dutiable under the same tariff provision at the same rate. However, during the Tokyo round of negotiations, consideration was given to the import sensitivity of apparel on a product-by-product basis, resulting in small or no duty reductions as to more sensitive articles and more significant tariff cuts as to less sensitive ones. Consequently, eo nomine provisions were created to cover the sensitive articles, while the remainder of the articles were classified under residual or "basket" tariff provisions which have lower rates of duty.

Importers soon began entering apparel sets containing one or more articles provided for eo nomine and one or more covered by basket tariff items. Such sets, in which not all components are provided for eo nomine, are classified as entireties usually in basket tariff items at the lower duty rates.

Apparel sets classified as entireties during January-November 1983 were assessed an average rate of duty of 27 percent ad valorem. It this legislation had then been in effect, the average duty rate on these sets would have been 31 percent ad valorem. This tariff differential will widen considerably during 1984-90, as the staged tariff reductions on apparel negotiated in the Tokyo round are implemented and the duty rates of eo nomine provisions are reduced less than those of the basket items.

The articles most significantly affected by the bill are shirts, sweaters, trousers, coats, and dresses made of textile fibers. Approximately 94 percent of the value of all apparel articles imported as parts of sets in 1983 was accounted for by women's, girls' and infants' garments; shirts and blouses accounted for about 59 percent of the total value of imported sets. Sets are often packaged, put on hangers, shipped, or otherwise marketed together to promote unit purchases at retail.

There are approximately 20,000 establishments producing wearing apparel in the United States. These establishments are located mainly in the Northeast--particularly in New York, New Jersey, and Pennsylvania--and in California. Employment in 1982 totaled 1.16 million people, down 13 percent from 1978.

Imports for consumption of shirts, trousers, sweaters, dresses, coats, and robes, according to official statistics of the U.S. Department of Commerce, are shown in the following tabulation:

Year	Quantity (1,000 dozens)	Value (Million dollars)
1979	98,041	4,103
1980	103,840	4,805
1981	112,793	5,651
1982	121,714	6,202
1983[1/]	140,553	7,161

1/ Estimated from January-November 1983 imports of 129 thousand dozens valued at $6,563 million.

Imports of these articles increased 75 percent by value during 1979-83 to $7 billion. Quantities increased during the same period by 43 percent to 141 million dozen in 1983. These articles together accounted for about 74 percent of the total apparel import value in 1983.

Articles imported specifically as parts of sets accounted for less than 1 percent of the total imports in each garment category, although the total value of these parts rose to $35 million in 1983--up 37 percent from the previous year. The number of such parts increased 29 percent in 1983 to 862 thousand dozen. Official U.S. Commerce Department statistics on wearing apparel imported as parts of sets are as follows:

Apparel imported as parts of sets	Quantity (1,000 dozens) 1982	1983 1/	Value (1,000 dollars) 1982	1983 1/
Blouses, women's	388.7	497.1	15,593	20,316
Coats, women's	29.7	56.5	3,463	6,104
Trousers, women's	185.0	183.8	3,222	3,383
Sweaters, women's	32.7	60.4	2,022	2,858
Trousers, men's	11.0	26.6	497	1,066
Dresses	.8	5.8	113	520
Shirts, men's	10.7	10.9	475	469
Robes	6.0	18.3	255	353
Coats, men's	2.8	3.1	260	337
TOTAL	667.4	862.5	25,900	35,406

1/ Estimated based on imports during January-November 1983.

In 1983, women's garments made up 94 percent of the total value of such articles, or $33 million. Women's blouses which were parts of sets accounted for 57 percent of total set parts imports, amounting to $20 million in 1983, and consisting mainly of blouses of manmade fibers. Garments imported as parts of sets in 1983 originated primarily in the countries of Hong Kong, Taiwan, Korea, and Thailand, with Hong Kong and Taiwan accounting for 57 percent of the value. None of the set parts were sourced from column 2 countries.

Comparison with Present Law

The subject apparel is provided for in part 6, schedule 3 of the TSUS. As shown in Table 1, the difference between the column 1 rates of duty on articles classified as entireties and those on the same articles imported separately will continue to grow, because of the staged reductions granted in the Tokyo round of the MTN. The table also sets forth the pre-MTN and the column 2 duty rates applicable to these articles. No articles subject to the column 2 duty rates are currently being imported. No preferential duty rates are provided as to imports from least developed developing countries (LDDC's), and imports from beneficiary countries under the GSP and CBI are not eligible for duty-free entry.

Apparel of cotton, of wool, and of manmade fibers is subject to control under the Multifiber Arrangement (MFA). Apparel imported as parts of sets is treated, for purposes of quantitative restrictions, as if the components were imported as individual articles; that is, each component is subject to the restrictions applicable to that article imported separately.

Effect on Revenue

In 1983, apparel articles imported as parts of sets, if reclassified as stipulated by the legislation, would have generated an estimated $1.4 million in additional customs revenues. Since import quantities under the sets provisions

increased 35 percent from 1982 to 1983, and since the tariff gap between imported articles classified as sets and those articles classified individually will widen during the next several years, the level of additional tariff revenues which would be collected annually can be expected to grow substantially. If imports under the set provisions grow by only 20 percent per year (since trade patterns have been established), and if the tariff differential as to the large-volume articles increases by an additional 2 percent a year, the revenue gains would be as follows:

Year	(1,000 dollars)
1983	1,390
1984	2,477
1985	3,963
1986	5,945
1987	8,561
1988	11,985

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4339 provided that the language in section 1 of the original bill be changed as recommended by the Department of Commerce.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4339 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment recommended by the Administration to allow a number of additional enumerated articles (such as pajamas and swimsuits) which are traditionally sold as sets to continue to be classified as sets under the TSUS. The effective date was also amended to conform with other bills providing for an effective date 15 days after enactment.

SUMMARY OF TESTIMONY ON H.R. 4339

Administration

Department of Commerce: Commerce opposes the language in H.R. 4339 that defines "sets" because it is too limiting. There would be no objection to this bill if the language was changed to that proposed by the Commerce Department.

Statements for the Record

Supports

The American Fiber Textile Apparel Coalition: This bill closes a loophole which permits very substantial quantities of apparel to enter the United States at duty rates which are lower than intended by Congress. This problem was created because of tariff rate reductions on garments classified in sets which produced lower tariff rates than on the same garments classified individually. As these reductions, which were negotiated during the Tokyo Round, are implemented, incentive is increased for importers to bring in garments as sets and thereby avoid the higher duty applicable to individual garments.

Wearing apparel: U.S. rates of duty on garments imported as separate articles and as parts of sets, by TSUS items

(Cents per pound; percent ad valorem)

TSUS item No.	Abridged description	Col. 1 rate of duty			Col. 2 rate of duty
		Pre-MTN rate 1/	1984 rate	Post-MTN rate 2/	
	Men's and boys' ornamented apparel:				
	Of cotton:				
	Knit:				
379.02	Coats, slacks, shirts, and sweaters imported as separates	35%	28%	21%	90%.
379.04	The above garments imported as parts of sets and other garments imported as sets. 3/	35%	26%	14% 4/	90%.
	Not knit:				
379.06	Coats, slacks, and shirts imported as separates	35%	28%	21%	90%.
379.08	The above garments imported as parts of sets and other garments imported as sets. 3/	35%	26%	14%	90%.
	Of wool:				
	Knit:				
379.13	Coats and slacks imported as separates	42.5%	34.1%	23% 4/	90%.
379.15	The above garments imported as parts of sets and other garments imported as sets. 3/	42.5%	34%	17% 5/	90%.
	Not knit:				
379.17	Coats, shirts and slacks imported as separates	42.5%	34.1%	23% 4/	90%.
379.20	The above garments imported as parts of sets and other garments imported as sets. 3/	42.5%	34%	17% 5/	90%.
	Of manmade fibers:				
	Knit:				
379.23	Coats and slacks imported as separates	42.5%	36.3%	30%	90%.
379.26	Shirts and sweaters imported as separates	42.5%	38.8%	35%	90%.
379.28	The above garments imported as parts of sets and other garments imported as sets. 3/	42.5%	34%	17% 5/	90%.
	Not knit:				
379.31	Coats, shirts, and slacks imported as separates	42.5%	36.3%	30%	90%.
379.33	The above garments imported as parts of sets and other garments imported as sets. 3/	42.5%	34%	17% 5/	90%.
	Men's and boys' not ornamented apparel:				
	Of cotton:				
	Knit:				
379.39	Coats and slacks imported as separates	21%	18.8%	16.5%	45%.
379.40	Shirts and sweaters imported as separates	21%	21%	21%	45%.
379.41	The above garments imported as parts of sets and other garments imported as sets. 3/	21%	14.5%	8%	45%.
	Not knit:				
	Coats imported as separates:				
379.43	Valued not over $4 each	16.5%	12.3%	8%	37.5%.
379.46	Valued over $4 each	8%	8%	8%	37.5%.
	Dressing gowns and robes imported as separates:				
379.48	Valued not over $2.50 each	16.5%	12.3%	8%	37.5%.
379.49	Valued over $2.50 each	8%	8%	8%	37.5%.

See footnotes at end of table.

TABLE I

Wearing apparel: U.S. rates of duty on garments imported as separate articles and as parts of sets, by TSUS items--Continued

(Cents per pound; percent ad valorem)

TSUS item No.	Abridged description	Col. 1 rate of duty			Col. 2 rate of duty
		Pre-MTN rate 1/	1984 rate	Post-MTN rate 2/	
	Men's and boys' not ornamented apparel--Continued				
	Of cotton--Continued				
	Not knit--Continued				
	Pajamas:				
379.51	Valued not over $1.50 per suit	16.5%	12.3%	8%	37.5%
379.52	Valued over $1.50 per suit	8%	8%	8%	37.5%
379.55	Shirts imported as separates	21%	21%	21%	45%
	Vests imported as separates:				
379.57	Valued not over $2.00 each	16.5%	12.3%	8%	37.5%
379.58	Valued over $2.00 each	8%	8%	8%	37.5%
379.62	Trousers imported as separates	16.5%	16.5%	16.5%	37.5%
379.63	Martial arts uniforms	16.5%	11.5%	6.5%	37.5%
379.64	The above garments imported as parts of sets and other garments imported as sets. 3/	16.5%	12.3%	8%	37.5%
	Of wool:				
	Knit:				
	Valued not over $5 per pound:				
379.71	Coats and slacks imported as separates	37.5¢ + 30%	18¢ + 26.5%	23%	63%
379.72	The above garments imported as parts of sets and other garments imported as sets. 3/	37.5¢ + 30%	23¢ + 25.1%	17% 6/	63%
	Valued over $5 per pound:				
379.74	Cashmere sweaters valued over $18 per pound imported as separates	37.5¢ + 15.5%	19¢ + 11.5%	7.5%	52%
379.75	Coats and slacks imported as separates	37.5¢ + 20%	36.3¢ + 20%	35¢ + 20%	54.5%
379.76	The above garments imported as parts of sets and other garments imported as sets. 3/	37.5¢ + 20%	19¢ + 18.5%	17%	54.5%
	Not knit:				
	Valued not over $4 per pound:				
379.78	Coats, shirts, and slacks imported as separates	25¢ + 21%	14¢ + 21%	4¢ + 21%	58%
379.79	The above garments imported as parts of sets and other garments imported as sets. 3/	25¢ + 21%	13¢ + 19%	17%	58¢
	Valued over $4 per pound:				
379.83	Coats, shirts, and slacks imported as separates	37.5¢ + 21%	31¢ + 21%	24¢ + 21%	58.5%
379.84	The above garments imported as parts of sets and other garments imported as sets. 3/	37.5¢ + 21%	19¢ + 19%	17%	58.5%
	Of manmade fibers:				
	Knit:				
379.89	Coats and slacks imported as separates	25¢ + 32.5%	12¢ + 31.3%	30%	72%
379.90	Shirts and sweaters imported as separates	25¢ + 32.5%	19¢ + 32.5%	13¢ + 32.5%	72%
379.91	Swimwear	25¢ + 32.5%	12¢ + 28.8%	25%	72%
379.92	The above garments imported as parts of sets and other garments imported as sets. 3/	25¢ + 32.5%	14¢ + 25.9%	17% 6/	72%
	Not knit:				
379.95	Coats, shirts, slacks and swimwear imported as separates	25¢ + 27.5%	19¢ + 27.5%	14¢ + 27.5%	76%
379.96	The above garments imported as parts of sets and other garments imported as sets. 3/	25¢ + 27.5%	12¢ + 27.3%	17%	76%

See footnotes at end of table.

Wearing apparel: U.S. rates of duty on garments imported as separate articles and as parts of sets, by TSUS items--Continued

(Cents per pound; percent ad valorem)

TSUS item No.	Abridged description	Col. 1 rate of duty			Col. 2 rate of duty
		Pre-MTN rate 1/	1984 rate	Post-MTN rate 2/	
	Women's, girls', and infants' ornamented apparel:				
	Of cotton:				
	Knit:				
383.02	Blouses, shirts, sweaters, coats, and slacks imported as separates	35%	28%	21%	90%.
383.03	Blouses, shirts, sweaters, coats, and slacks imported as parts of sets and other garments imported as sets. 3/	35%	26%	14% 4/	90%.
	Not knit:				
383.05	Blouses, shirts, and coats imported as separates	35%	25.8%	16.5%	90%.
383.06	Slacks imported as separates	35%	28%	21%	90%.
383.08	The above garments imported as parts of sets and other garments imported as sets. 3/	35%	26%	14% 4/	90%.
	Of wool:				
	Knit:				
383.12	Coats imported as separates	42.5%	34.1%	23% 4/	90%.
383.13	Coats imported as parts of sets and other garments imported as sets. 3/	42.5%	34%	17% 5/	90%.
	Not knit:				
383.15	Blouses, shirts and coats imported as separates	42.5%	34.1%	23% 4/	90%.
383.16	The above garments imported as parts of sets and other garments imported as sets. 3/	42.5%	34%	17% 5/	90%.
	Of manmade fibers:				
	Knit:				
383.18	Blouses, shirts, and sweaters imported as separates	42.5%	38.8%	35%	90%.
383.19	Coats, slacks, and swimwear imported as separates	42.5%	36.3%	30%	90%.
383.20	The above garments imported as parts of sets and other garments imported as sets. 3/	42.5%	34%	17% 5/	90%.
	Not knit:				
383.22	Blouses, shirts, coats, and slacks imported as separates and swimwear	42.5%	36.3%	30%	90%.
383.23	The above garments imported as parts of sets and other garments imported as sets. 3/	42.5%	34%	17% 5/	90%.
	Women's, girls', and infants' not ornamented apparel:				
	Of cotton:				
	Knit:				
383.27	Blouses, shirts, and sweaters imported as separates	23%	21%	21%	45%.
383.28	Coats and slacks imported as separates	21%	18.8%	16.5%	45%.
383.29	Dresses imported as separates	21%	16.5%	12%	45%.
383.30	The above garments imported as parts of sets and other garments imported as sets. 3/	21%	14.5%	8%	45%.
	Not knit:				
	Coats imported as separates:				
383.32	Valued not over $4 each	16.5%	12.3%	8%	37.5%.
383.34	Valued over $4 each	8%	8%	8%	37.5%.
	Dressing gowns and robes imported as separates:				
383.36	Valued not over $2.50 each	16.5%	12.3%	8%	37.5%.
383.37	Valued over $2.50 each	8%	8%	8%	37.5%.

See footnotes at end of table.

Wearing apparel: U.S. rates of duty on garments imported as separate articles and as parts of sets, by TSUS items--Continued

TSUS item No.	Abridged description	Col. 1 rate of duty			Col. 2 rate of duty
		Pre-MTN rate 1/	1984 rate	Post-MTN rate 2/	
	Women's, girls', and infants' not ornamented apparel--Continued				
	Of cotton--Continued				
	Not knit--Continued				
	Pajamas:				
383.39	Valued not over $1.50 per suit	16.5%	12.3%	8%	37.5%.
383.40	Valued over $1.50 per suit	8%	8%	8%	37.5%.
	Vests imported as separates:				
383.42	Valued not over $2 each	16.5%	12.3%	8%	37.5%.
383.43	Valued over $2 each	8%	8%	8%	37.5%.
383.47	Blouses, shirts, and slacks imported as separates	16.5%	16.5%	16.5%	37.5%.
383.48	Dresses imported as separates	16.5%	14.3%	12%	37.5%.
383.49	Martial arts uniforms	16.5%	11.5%	6.5%	37.5%.
383.50	The above garments imported as parts of sets and other garments imported as sets. 3/	16.5%	12.3%	8%	37.5%.
	Of wool:				
	Knit:				
383.57	Coats valued not over $5 per pound imported as separates	37.5¢ + 30%	21¢ + 27%	23% 4/	63%.
383.58	Coats valued not over $5 per pound imported as parts of sets and other apparel imported as sets. 3/	37.5¢ + 30%	23¢ + 25.1%	17% 6/	63%.
383.62	Coats valued over $5 per pound imported as separates	37.5¢ + 20%	34¢ + 20%	31¢ + 20%	54.5%.
383.63	Coats valued over $5 per pound imported as parts of sets and other apparel imported as sets. 3/	37.5¢ + 20%	19¢ + 18.5%	17%	54.5%.
	Not knit:				
383.65	Blouses, coats, and shirts valued not over $4 per pound imported as separates	25¢ + 21%	15¢ + 21%	6¢ + 21%	58%.
383.66	The above garments valued not over $4 per pound imported as parts of sets and other garments imported as sets. 3/	25¢ + 21%	12¢ + 19%	17%	58%.
383.70	Blouses and shirts valued over $4 per pound imported as separates	37.5¢ + 21%	37.5¢ + 21%	37.5¢ + 21%	58.5%.
383.72	Coats valued over $4 per pound imported as separates	37.5¢ + 21%	29¢ + 21%	21¢ + 21%	58.5%.
383.75	The above garments imported as parts of sets and other garments imported as sets. 3/	37.5¢ + 21%	19¢ + 19%	17%	58.5%.
	Of manmade fibers:				
	Knit:				
383.80	Blouses, shirts, and sweaters imported as separates	25¢ + 32.5%	19¢ + 32.5%	13¢ + 32.5%	72%.
383.81	Coats and slacks imported as separates	25¢ + 32.5%	12¢ + 31.3%	30%	72%.
	Swimwear:				
383.83	Valued not over $10 each	25¢ + 32.5%	12¢ + 31.3%	30%	72%.
383.84	Valued over $10 each	25¢ + 32.5%	12¢ + 24.8%	17%	72%.
383.86	The above garments imported as parts of sets and other garments imported as sets. 3/	25¢ + 32.5%	14¢ + 25.9%	17% 4/	72%.
	Not knit:				
383.90	Blouses, coats, shirts, and slacks imported as separates	25¢ + 27.5%	21¢ + 27.5%	17¢ + 27.5%	76%.
383.92	The above garments imported as parts of sets and other garments imported as sets. 3/	25¢ + 27.5%	12¢ + 22.3%	17%	76%.

1/ Rate effective before Jan. 1, 1982.
2/ Rate effective on or after Jan. 1, 1987, except as noted.
3/ The other garments imported as sets primarily include pajamas, two-piece swimsuits, martial arts uniforms, playsuits, and infants' sets, unless provided for separately.
4/ Rate effective on or after Jan. 1, 1988.
5/ Rate effective on or after Jan. 1, 1989.
6/ Rate effective on or after Jan. 1, 1990.

H.R. 4353

Introduced by: Mr. Heftel (HI)
Date: November 10, 1983

Relating to the tariff classification of salted and dried plums, and for other purposes.

Summary of the Provision

H.R. 4353, if enacted, would reduce the rates of duty aplicable to imports of dried plums after having been soaked in brine.

Section-by-Section Analysis

Section 1 of H.R. 4353, if enacted, would reduce the rates of duty applicable to imports of dried plums after having been soaked in brine, provided for in Tariff Schedules of the United States (TSUS) item 149.28. The reduction would be accomplished by deleting item 149.28 and adding two new tariff items, with new item 149.30 covering the above plums. In this new item, the currently applicable ad valorem rates of duty of 17.5 percent under column 1 and 35 percent under column 2 would be converted to specific rates of 2 cents per pound under both column 1 and column 2. The proposed specific rates of duty are the same as the rates currently in effect for imports of dried plums, prunes, and prunelles, provided for in TSUS item 149.26. If enacted, the proposed legislation would reduce the duty on dried plums having been soaked in brine to approximately 2.5 percent ad valorem (or by an estimated 15 percentage points). The proposed legislation would not change the current ad valorem rates of duty on the remaining "otherwise prepared or preserved" plums, prunes, and prunelles provided for in TSUS item 194.28. It would, however, change the existing product coverage of that residual or "basket" category. The intended purpose of the bill is to provide relief to domestic manufacturers of Chinese preserved plums, which are made from a variety of small plums not produced in the United States.

Section 2 makes this provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

These fruits may be briefly described as follows: a plum is an edible, fleshy fruit related to the cherry but having an oblong stone; a prune is a variety of plum suitable for drying (because it dries without spoiling); and a prunelle is a brownish variety of plum or prune (though the term may sometimes be used to refer to a sloe, a dark purple or blackish fruit). Salted and dried plums, prunes, or prunelles and Chinese preserved plums are specialty products in the oriental food trade that do not need to be packed in airtight containers to prevent spoilage. Salt is often applied to plums, prunes, and prunelles, both as a preservative and to impart a desired flavor. Articles known as Chinese preserved plums may be flavored with salt of various characteristics, sugar, licorice, or other ingredients. Other related oriental food specialties are spiced, pickled, brined, or canned plums, prunes, or prunelles. The largest industries in the United States which market prepared or preserved plums, prunes, or prunelles produce dried prunes from fresh prune plums, canned purple plums and other canned plums, and frozen plums and prunes.

The domestic industry producing Chinese preserved plums is concentrated principally in Hawaii; it uses plums which have been grown elsewhere and shipped to that State. Industry sources indicate that the plum supplies are imported because the necessary small plums are not available from domestic (California) sources. The imported supplies are shipped dried from the supplying country after having been soaked in salt brine to prevent spoilage in transit. The imported plums are soaked in water by the domestic manufacturers, which both rehydrates the fruit and removes salt, before processing to add appropriate flavorings.

As far as is known, domestic production of Chinese preserved plums comes from two firms located in Hawaii and may amount to 200,000 pounds annually. The larger firm is Jade Food Products, Inc., of Honolulu. Employment in the industry is believed to be fewer than 50 persons. U.S. exports of Chinese preserved plums are believed to be negligible or nil.

Apparent U.S. consumption of Chinese preserved plums and of dried salted plums, prunes, and prunelles is believed to equal U.S. imports from Hong Kong, Taiwan, and the People's Republic of China of dried plums, prunes, and prunelles plus those which are otherwise prepared or preserved and not in airtight containers. Estimated apparent apparent U.S. consumption is shown in the following tabulation for 1978-82 (in thousands of pounds):

Year	Estimated U.S. Consumption
1978	689
1979	853
1980	973
1981	994
1982	1,183

The domestic industry producing dried prunes is located almost entirely in California. In 1982, U.S. production of dried prunes was 252 million pounds, valued at $86 million. U.S. exports in 1982 amounted to 30 million pounds, while apparent consumption of dried prunes (equivalent to production minus exports) amounted to about 220 million pounds. There is little, if any, substitution by consumers of Chinese preserved plums or dried salted plums, prunes, or prunelles from the Orient for dried prunes.

U.S. imports of prepared or preserved plums, prunes, and prunelles are predominantly from the Orient--specifically, from Hong Kong, Taiwan, the People's Republic of China, and Japan. During 1978-82, import levels ranged from a low of 1.8 million pounds in 1981 to a high of 2.8 million pounds in 1979 and 1980 with little discernible trend. Most of the annual fluctuations in import volumes were accounted for by erratic imports of dried prunes from non-Orient suppliers.

U.S. imports of plums, prunes, and prunelles otherwise prepared or preserved and not in airtight containers (TSUSA item 149.2840) would be affected most by the legislation. Such imports increased from 603,000 pounds, valued at $607,000, in 1978, to 1.0 million pounds, valued at $1.7 million in 1982, or by 72 percent by quantity. During January to November 1983, imports amounted to 1.1 million pounds and were at a level 11 percent higher than the total for January to November 1982. In 1982, the average unit value of imports entered from all sources was $1.59 per pound. At the current rate of duty of 17.5 percent ad valorem, the calculated amount of duty per pound was about 28 cents at that average unit value.

In 1982, imports of dried plums, prunes, and prunelles from the Orient amounted to 208,000 pounds, valued at $304,000, with an average unit value of $1.46 per pound. The current rate of duty on such imports is 2 cents per pounds.

Of the 1982 imports of plums, prunes, and prunelles that were dried (TSUS item 149.26) or were not in airtight containers (TSUSA item 149.2840), 95 percent were entered at the U.S. Customs Districts of Los Angeles, San Francisco, Honolulu, and New York City, in approximately equal proportions (although Los Angeles was the leading district).

Comparison with Present Law

In the TSUS, prepared or preserved plums, prunes, or prunelles are classified in one of three duty rate provisions based on whether they are in bine, dried, or otherwise prepared or preserved. The current column 1 and 2 rates of duty, and the reporting numbers for statistical purposes covering prepared or preserved plums, prunes, and prunelles are as follows:

TSUS Item	Stat. suffix	Articles	Rates of duty Col. 1	Col. 2
		Plums, prunes, and prunelles, prepared or preserved:1/		
149.24	00	In brine	0.1¢ per lb.	0.5¢ per lb.
149.26	00	Dried	2¢ per lb.	2¢ per lb.
149.28		Otherwise prepared or preserved	17% ad val.	35% ad val.
	20	In airtight containers		
	40	Not in airtight containers		

1/ Items 149.18 and 149.21 cover fresh plums, prunes, or prunelles.

The current column 1 rates of duty for these articles were not reduced as a result of the Tokyo round of Multilateral Trade Negotiations under the General Agreement

on Tariffs and Trade. Prepared or preserved plums, prunes, or prunelles are not eligible for duty-free entry under the Generalized System of Preferences (GSP), nor are preferential rates granted to imports from least developed developing countries (LDDC's). However, imports from designated beneficiary countries are eligible for duty-free entry under the Caribbean Basin Initiative (CBI).

The tariff classification of various dried salted plums and prunes from the Orient has been the subject of several decisions. In 1965, plums said to have been immersed in salt water solution (Baume reading not over 18 percent) for a period of 6 days for the purpose of arresting immediate decay and then thoroughly sun dried were classified in TSUS item 149.26--dried plums, prunes, and prunelles. In 1973, dried prunes "made of the fresh fruits which have been soaked in salt water and then sun dried" were classified in TSUS item 149.28--the provision for otherwise prepared or preserved articles. The U.S. Customs Court (now the Court of International Trade) decided in 1978 on cross-motions for summary judgement that the imported merchandise in question, which was subjected to both brining and drying (separate preparative or preservative operations) and which contained 44.1 percent salt, was properly classified in TSUS item 149.28. The U.S. Customs Service is reviewing the proper tariff classification of certain imported plums and prune products.

Effect on Revenue

Based on the average of the annual imports of plums, prunes, and prunelles otherwise prepared or preserved not in airtight containers entered during 1978 to 1982, the enactment of this legislation would likely result in an annual loss of customs revenue of about $193,000. However, should imports continue at the 1982 level, the potential revenue loss is estimated to be $269,000.

Subcommittee Action

Agency Reports

The Department of Agriculture had no objection to enactment of H.R. 4353.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4353 favorably reported to the full Committee on Ways and Means by voice vote, with technical amendments, including changes in the article description and in the effective date of the new provision to 15 days after date of enactment.

SUMMARY OF TESTIMONY ON H.R. 4353

Administration

Department of Agriculture: No objection to enactment of H.R. 4353.

Statements for the Record

Supports

Jade Food Products, Inc.: Over 20 years ago Jade Food received permission from the U.S. Customs Service to import brine-soaked and sun dried plums at 2 cents per pound tariff for further processing in the United States. When the rate was changed to 17.5 percent ad valorem, it put Jade Food Products in a competitive disadvantage. The extra cost of the tariff will result in Jade moving to Asia and 20 people losing their jobs.

Hawaii International Services Agencey (HISA): Twenty years ago, U.S. Customs Service allowed Jade Food Products to begin importing brine-soaked and sun-dried plums into the United States at a 2 cent per pound tariff rate for further processing in Hawaii. As a result, a business with 20 employees was started. Now the Customs Service has unilaterally imposed a 17.5% ad valorem rate on the plums, the same rate that is imposed on the finished product. As a result. Jade Food Product Company can do business at less cost in Asia than in Hawaii and will be forced to move there.

Opposes

Yick Lung Co., Inc.: This bill seeks to modify the present tariff schedule so that plums which have been prepared in brine and dried would be taxed at the same rate as plums which have only been dried. Plums prepared and preserved by this particular process would be taxed at a substantially lower rate than those prepared or preserved by other means. This distinction is arbitrary and affords an unfair competitive edge to those companies which deal with salted, dried plums.

H.R. 4378

Introduced by: Mr. Frenzel (Minn.)
Date: November 14, 1983

To suspend the duty on sulfaquinoxaline until the close of December 31, 1986.

Summary of the Provision

H.R. 4378, if enacted, would suspend the duty on sulfaquinoxaline until the close of December 31, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4378, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 907.28 to suspend both the MFN, column 1 duty and the column 2 duty on sulfaquinoxaline, provided for in item 411.81, part 1C, schedule 4, until December 31, 1986.

Section 2, as amended, would make the provision effective on the 15th day after the date of enactment of the Act.

Background and Justification

Sulfaquinoxaline is principally used as a low level additive in cattle and other animal feeds, where it functions as a growth promoter. In addition, it is used for treating certain bacterial and microbial infections in poultry, swine and sheep. The medicinal use of this product has declined, due to the development of resistant strains of infective organisms and to competition from penicillin and other antibiotics. However, there continues to be significant use for medicinal purposes. Sulfaquinoxaline may be administered orally, in powder or tablet form, or used externally, in powder or ointment form.

Imports of sulfaquinoxaline enter the United States under item 411.81 of the TSUS, along with several other enumerated anti-infective agents; and separate import statistics are therefore not available. Sulfaquinoxaline is produced in England and Poland and in the past has also been produced in Italy.

Exports of this product are believed to be nil.

Comparison With Present Law

Sulfaquinoxaline is classifiable in TSUS item 411.81, along with five other enumerated products. The current column 1, MFN, rate of duty is 18.9% and the LDDC rate is 10.8% ad valorem. The column 2 rate applicable to this item is 7 cents per pound plus 95% ad valorem.

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This item was eligible for staged rate reductions under the Tokyo round of the MTN and the column 1 rate of duty will decrease to 10.8% by 1987, where it is scheduled to remain.

In March 1983, sulfaquinoxaline was added to the list of articles eligible for duty-free entry when imported from countries designated in general headnote 3(c) of the TSUS as beneficiary developing countries under the Generalized System of Preferences (GSP). By suspending the duties applicable to imports from countries not designated under the GSP, this legislation would temporarily eliminate any advantage, in terms of the cost of duties, which now exists as to imports of this product from beneficiary countries.

Effect on Revenue

It is estimated that customs revenue losses during the specified 3-year period, from 1984 through 1986, would be less than $50,000 per year.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4378.

The International Trade Commission submitted an informative report on this legislation.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4378 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment providing for the effective date to be 15 days after the date of enactment.

Senate Action

A companion bill, S. 1482, has been introduced in the Senate.

SUMMARY OF TESTIMONY ON H.R. 4378

Administration

Department of Commerce: No objection to enactment of H.R. 4378.

Statements for the Record

Supports

The Honorable Cooper Evans, M.C. (Iowa): Sulfa drugs are used primarily by the livestock and poultry industry directly in the treatment of animal infection or indirectly in the production of other drugs which treat infection.

Salsbury Laboratories, Inc.: Sulfa drugs are of prime importance to the livestock and poultry industries and there is virtually no domestic production of these essential veterinary health products. Also, due to environmental problems and costs associated with their manufacture, future domestic production is quite unlikely.

H.R. 4379

Introduced by: Mr. Frenzel (Minn.)
Date: November 14, 1984

To suspend the duty on sulfathiazole until the close of December 31, 1986.

Summary of the Provision

H.R. 4379, if enacted, would suspend the duty on sulfathiazole until the close of December 31, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4379, if enacted, would amend item 907.19 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) by striking out the column 1, MFN, duty rate of 13.3% ad valorem and the column 2 duty rate of 7¢ per pound + 80% ad valorem, and by inserting in lieu thereof "Free". Further, the effective date would be amended to read "on or before 12/31/86".

Section 2, as amended, would make the provision effective on the 15th day after the date of enactment of the Act.

Background and Justification

Sulfathiazole is principally used as a low level additive in cattle and other animal feeds, where it functions as a growth promoter. In addition, it is used for treating certain bacterial and microbial infections in humans and animals. The medicinal use of this product has declined, due to the development of resistant strains of infective organisms and to competition from penicillin and other antibiotics. Sulfathiazole may be administered orally, in powder or tablet form, or used externally, in powder or ointment form.

Imports of sulfathiazole enter the United States under item 411.80 of the TSUS, along with the sodium salt; and separate import statistics are not available.

Exports of sulfathiazole are classified in Schedule B items 435.7160 (anti-infective sulfonamides, not artifically mixed and not put up in measured doses) and 442.1700 (sulfonamide preparations, n.s.p.f., put up in measured doses), along with all other sulfonamide anti-infective agents; and separate export statistics are not available.

It is estimated that total U.S. consumption of sulfathiazole is less than 250,000 pounds per year.

Comparison With Present Law

Sulfathiazole is classified in TSUS item 411.80, along with its sodium salt. The current and negotiated column 1, MFN, rate of duty is 26.5% ad valorem and the current LDDC rate is 15% ad valorem. The column 2 rate applicable to this item is 7¢ per pound plus 133% ad valorem. Since January 27, 1983, the rates of duty in columns 1 and 2 have been temporarily reduced to 13% ad valorem and 7¢ per pound plus 80% ad valorem, respectively, effective through December 31, 1983, as specified in item 907.19 of the Appendix to the TSUS. In addition, imports from all beneficiary countries are eligible for duty-free entry under the GSP; and LDDC imports are intended to be dutiable at the reduced rate of 8% ad valorem, as provided in Public Law 97-446.

Effect on Revenue

Based on information obtained from industry sources, it is estimated that customs revenue losses during the specified 3-year period, from 1984 through 1986, would be less than $50,000 per year.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4379.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4379 favorably reported to the full Committee on Ways and Means by voice voice, with a technical amendment providing for the effective date to be 15 days after the date of enactment.

Senate Action

A companion bill, S. 1485, has been introduced in the Senate.

SUMMARY OF TESTIMONY ON H.R. 4379

Administration

Department of Commerce: No objection to enactment of H.R. 4379.

Statements for the Record

Supports

The Honorable Cooper Evans, M.C. (Iowa): Sulfa drugs are used primarily by the livestock and poultry industry directly in the treatment of animal infection or indirectly in the production of other drugs which treat infection.

Salsbury Laboratories, Inc.: Sulfa drugs are of prime importance to the livestock and poultry industries and there is virtually no domestic production of these essential veterinary health products. Also, due to environmental problems and costs associated with their manufacture, future domestic production is quite unlikely.

H.R. 4380

Introduced by: Mr. Frenzel (Minn.)
Date: November 14, 1984

To suspend the duty on sulfanilamide until the close of December 31, 1986.

Summary of the Provision

H.R. 4380, if enacted, would suspend the duty on sulfanilamide until the close of December 31, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4380, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 907.29 to suspend both the MFN, column 1 duty and the column 2 duty on sulfanilamide, provided for in item 411.81, part 1C, schedule 4, until December 31, 1986.

Section 2, as amended, would make the provision effective on the 15th day after the date of enactment of the Act.

Background and Justification

Sulfanilamide is primarily used as a low level additive in cattle and other animal feeds, where it functions as a growth promoter. In addition, it is used for treating certain bacterial and microbial infections in humans and animals. The medicinal use of this product has declined, due to the development of resistant strains of infective organisms and to competition from penicillin and other antibiotics. Sulfanilamide may be administered orally, in powder or tablet form, or used externally, in powder or ointment form.

Imports of sulfanilamide enter the United States under TSUS item 411.81 along with several other enumerated anti-infective agents, and separate import statistics are therefore not available. Sulfanilamide is produced in Romania, China, Poland, Yugoslavia, Japan and India.

Exports of this product are believed to be nil.

Specific figures on domestic consumption are not available, due to the lack of production and import data. However, it is estimated that the total U.S. consumption of sulfanilamide is less than 250,000 pounds per year.

Comparison With Present Law

Sulfanilamide is classifiable in TSUS item 411.81, along with five other enumerated products. The current column 1, MFN, rate of duty is 18.9% ad valorem and the LDDC rate is 10.8% ad

valorem. The column 2 rate applicable to this item is 7 cents per pound plus 96% ad valorem.

This item was eligible for staged rate reductions under the Tokyo round of MTN and the column 1 rate of duty will decrease to 10.8% by 1987, where it is scheduled to remain.

In March 1983, sulfanilamide was added to the list of articles eligible for duty-free entry when imported from countries designated in general headnote 3(c) of the TSUS as beneficiary developing countries under the Generalized System of Preferences (GSP). By suspending the duties applicable to imports from countries not designated under the GSP, this legislation would temporarily eliminate any advantage, in terms of the cost of duties, which now exists as to imports of this product from beneficiary developing countries.

Effect on Revenue

It is estimated that customs revenue losses during the specified 3-year period, from 1984 through 1986, would be less than $50,000 per year.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4380.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4380 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment providing for the effective date to be 15 days after the date of enactment.

Senate Action

A companion bill, S. 1481, has been introduced in the Senate.

SUMMARY OF TESTIMONY ON H.R. 4380

Administration

Department of Commerce: No objection to enactment of H.R. 4380.

Statements for the Record

Supports

The Honorable Cooper Evans, M.C. (Iowa): Sulfa drugs are used primarily by the livestock and poultry industry directly in the treatment of animal infection or indirectly in the production of other drugs which treat infection.

Salsbury Laboratories, Inc.: Sulfa drugs are of prime importance to the livestock and poultry industries and there is virtually no domestic production of these essential veterinary health products. Also, due to environmental problems and costs associated with their manufacture, future domestic production is quite unlikely.

H.R. 4381

Introduced by: Mr. Frenzel (Minn.)
Date: November 14, 1983

To suspend the duty on sulfamethazine until the close of December 31, 1986.

Summary of the Provision

H.R. 4381, if enacted, would suspend the duty of sulfamethazine until the close of December 31, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4381, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 907.24 to suspend both the MFN, column 1 duty and the column 2 duty on sulfamethazine, provided for in item 411.24, part 1C, schedule 4, until December 31, 1986.

Section 2, as amended, would make the provision effective on the 15th day after the date of enactment of the Act.

Background and Justification

Sulfamethazine is principally used as a low level additive in cattle and other animal feeds, where it functions as a growth promoter. In addition, it is used for treating certain bacterial and microbial infections in humans and animals. The medicinal use of this product has declined, due to the development of resistant strains of infective organisms and to competition from penicillin and other antibiotics. Sulfamethazine may be administered orally, in powder or tablet form, or used externally, in powder or ointment form.

Imports of sulfamethazine enter the United States under item 411.24 of the TSUS. Separate import statistics on a calendar-year basis are available only for 1981 and 1982. Prior to July 1, 1980, sulfamethazine was classified in item 407.85, along with many other drugs; and separate import statistics are not available. Import levels in 1981 were 1.1 million pounds valued at $4 million and in 1982 were 1.5 million pounds valued at $5.1 million.

Exports of sulfamethazine are classified in Schedule B items 435.7160 (anti-infective sulfonamides, not artificially mixed and not put up in measured doses) and 442.1700 (sulfonamide preparations, n.s.p.f., put up in measured doses), along with all other sulfonamide anti-infective agents. Separate export statistics are not available. However, exports of this product during the period 1980-82 are believed to have been nil.

Specific figures on domestic consumption are not available, due to the lack of precise data on production. However, the International Trade Commission estimates that the total U.S. consumption was 1.9 million pounds in 1979, increasing to 2.4 million pounds in 1982. Because exports are nil, total U.S. consumption is estimated to be the sum of U.S. production and U.S. imports. In 1979 imports were estimated to be 27% of consumption and in 1982 imports were estimated to be 64% of consumption.

Comparison With Present Law

Sulfamethazine is classifiable in TSUS item 411.24, a provision created by the President in Proclamation No. 4768 effective July 1, 1980. The current column 1, MFN, rate of duty is 13.3% ad valorem and the LDDC rate is 8.0% ad valorem. The column 2 rate applicable to this item is 7 cents per pound plus 80% ad valorem.

This item was eligible for staged rate reductions under the Tokyo round of MTN and the column 1 rate of duty will decrease to 8.0% by 1987, where it is scheduled to remain.

In March 1983, sulfamethazine was added to the list of articles eligible for duty-free entry when imported from countries designated in general headnote 3(c) of the TSUS as beneficiary developing countries under the Generalized System of Preferences (GSP). By suspending the duties applicable to imports from countries not designated under the GSP, this legislation would temporarily eliminate any advantage, in terms of the cost of duties, which now exists as to imports of this product from beneficiary developing countries.

Effect on Revenue

It is estimated that customs revenue losses during the specified 3-year period, from 1984 through 1986, would be less than $50,000 per year.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4381.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4381 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment providing for the effective date to be 15 days after the date of enactment.

Senate Action

A companion bill, S. 1484, has been introduced in the Senate.

SUMMARY OF TESTIMONY ON H.R. 4381

Administration

Department of Commerce: No objection to enactment of H.R. 4381.

Statements for the Record

Supports

The Honorable Cooper Evans, M.C. (Iowa): Sulfa drugs are used primarily by the livestock and poultry industry directly in the treatment of animal infection or indirectly in the production of other drugs which treat infection.

Salsbury Laboratories, Inc.: Sulfa drugs are of prime importance to the livestock and poultry industries and there is virtually no domestic production of these essential veterinary health products. Also, due to environmental problems and costs associated with their manufacture, future domestic production is quite unlikely.

H.R. 4382

Introduced by: Mr. Evans (IO)
Date: May 5, 1983

To suspend the duty on sulfaguanidine until the close of December 31, 1986.

Summary of the Provision

H.R. 4382, if enacted, would suspend the duty on sulfaguanidine until the close of December 31, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4382, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 907.26 to suspend both the MFN, column 1 duty and the column 2 duty on sulfaguanidine, provided for in item 411.27, part 1C, schedule 4, until December 31, 1986.

Section 2, as amended, would make the provision effective on the 15th day after the date of enactment of the Act.

Background and Justification

Suflaguanidine is principally used as a low level additive in cattle and other animal feeds, where it functions as a growth promoter; as an intermediate in the production of sulfonamides; and as an anti-infective agent in treating certain bacterial and microbial infections in humans and animals. The medicinal use of this product has declined, due to the development of resistant strains of infective organisms and to competition from penicillin and other antibiotics. Sulfaguanidine may be administered orally, in powder or tablet form, or used externally, in powder or ointment form.

Imports of sulfaguanidine enter the United States under item 411.27 of the TSUS, along with several other drugs; and separate import statistics are not available. Exports of this product are expected to be nil.

Specific figures on domestic consumption are not available, due to the lack of production and import data. However, it is estimated that the total U.S. consumption of sulfaguanidine is less than 250,000 pounds per year.

Comparison With Present Law

Sulfaguanidine is classified in TSUS item 411.27, along with three other enumerated products. The current and negotiated column 1, MFN, rate of duty is 20.3% ad valorem, and the current

LDDC rate is 11.6% ad valorem. The column 2 rate, applicable to this item is 7¢ per pound plus 128.5% ad valorem. This item is eligible for staged rate reductions under the Tokyo round of the MTN and the column 1, MFN, rate will be gradually reduced to 11.6% by 1987.

Item 411.27 was created for purposes of the GSP effective on or after March 31, 1983; former item 411.28 was subdivided to create items 411.26 and 411.27, in order to afford benefits of the GSP to sulfamerazine classified in item 411.26. However, imports of sulfaguanidine are not eligible for duty-free entry under the GSP.

Effect on Revenue

Based on information obtained from industry sources, it is estimated that customs revenue losses during the specified 3-year period, from 1984 through 1986, would be less than $50,000 per year.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4382.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4382 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment providing for the effective date to be 15 days after the date of enactment.

Senate Action

A companion bill, S. 1483, has been introduced in the Senate.

SUMMARY OF TESTIMONY ON H.R. 4382

Administration

Department of Commerce: No objection to enactment of H.R. 4382.

Statements for the Record

Supports

The Honorable Cooper Evans, M.C. (Iowa): Sulfa drugs are used primarily by the livestock and poultry industry directly in the treatment of animal infection or indirectly in the production of other drugs which treat infection.

Salsbury Laboratories, Inc.: Sulfa drugs are of prime importance to the livestock and poultry industries and there is virtually no domestic production of these essential veterinary health products. Also, due to environmental problems and costs associated with their manufacture, future domestic production is quite unlikely.

H.R. 4443

Introduced by: Mr. Jones (OK)
Date: November 17, 1983

To continue until the close of June 30, 1989, the existing suspension of duties on certain forms of zinc.

Summary of the Provision

H.R. 4443, if enacted, would extend the suspension of zinc-bearing ores, zinc dross and zinc skimmings, zinc-bearing materials and zinc waste and scrap until the close of June 30, 1989.

Section-by-Section Analysis

H.R. 4443, if enacted, would extend from June 30, 1984, to June 30, 1989, the existing temporary suspension of the column 1 rates of duty on certain forms of zinc afforded under the Tariff Schedules of the United States (TSUS) Appendix items 911.00, 911.01, 911.02, and 911.03. These four items, which were added to the TSUS in 1975, suspend the column 1 rate of duty on--

(a) zinc-bearing ores (provided for in item 602.20, part 1, schedule 6; duty suspended under item 911.00);

(b) zinc dross and zinc skimmings (provided for in item 603.30, part 1, schedule 6; duty suspended under item 911.01);

(c) zinc-bearing materials (provided for in items 603.49, 603.50, 603.54, and 603.55, part 1, schedule 6; duty suspended under item 911.02); and

(d) zinc waste and scrap (provided for in item 626.10, part 2, schedule 6; duty suspended under item 911.03).

The duty on these items was originally suspended in 1975 for a 3-year period, since U.S. mines did not have sufficient capacity to satisfy demand; it was also recognized that other major zincproducing countries permit the importation of ores and concentrates free of duty. This temporary duty suspension expired on June 30, 1978. Public Law 96-467, effective October 17, 1980, retroactively restored the temporary duty suspension, which continues until June 30, 1984. This legislation would continue to permit the importation free of duty the subject forms of zince entered, or withdrawn from warehouse for consumption, after June 30, 1984, and until June 30, 1989.

Section 2 would provide that the continued temporary duty suspension will apply to articles entered or withdrawn from warehouse on or after the 15th day after the date of the enactment of this Act. Provision is also made for the retroactive application of this legislation to June 30, 1984 under prescribed procedures.

Background and Justification

Most of the zinc ore in the world is found in the mineral sphalerite, a zinc sulfide, which usually occurs in association with lead and copper sulfide materials. Zinc ore is milled to prepare zinc-bearing materials known as concentrates that can be treated to recover zinc and associated by-product and co-product metals. The mineralogy of zinc-containing ores determines the technology and economics of the milling practice employed. Generally, the ore is roasted to remove the sulfur and then may be concentrated by flotation, jigging, tabling, and electrostatic and magnetic separation. Reduction of the concentrates to zinc is accomplished by electrolytic deposition from a sulfate solution or by distillation in retorts or furnaces. Another form of zinc-bearing materials is zinc fume, residue material from furnace slag which has been removed as an impure oxide by a fuming operation. Zinc dross and skimmings are zinc- or zinc-oxide-containing products formed during the galvanizing process. Zinc waste and scrap is refuse material recovered primarily from the zinc smelting operation. These products are used as sources of zinc metal and zinc products.

According to the U.S Bureau of Mines, U.S. mines tend to have lower ore and co-product and/or by-product grades than many foreign mines. The average U.S. zinc ore grade is about 4 percent, compared with 6 to 9 percent average grades in many other countries.

Zinc is a strategic and critical metal which is primarily used to protect and preserve iron and steel products from corrosion (galvanizing). Other major uses of zinc include its use in die-cast alloys, brass and bronze products and rolled zinc. The use of zinc in galvanizing accounts for 48 percent of total consumption, in zinc-based alloys for 28 percent, in brass and bronze for 11 percent, and in other products (such as rolled zinc, oxides and pigments) for 13 percent.

Zinc ore is recovered from at least 30 mines located in 17 states in the United States. Tennessee accounts for 40 percent of domestic zinc production; Missouri for 21 percent; New York for 16 percent; and Pennsylvania for 8 percent. The industry producing zinc is heavily concentrated, with 4 firms--St. Joe Resources Co., Jersey Miniere Zinc Co., AMAX Inc., and ASARCO Inc.--accounting for about 50 percent of domestic mine output in 1982, and 80 percent of primary slab zinc production. The four companies are large, vertically integrated firms which operate mines, smelters, and refineries. The New Jersey Zinc Co., Inc., United States Steel Corp., Cominco American Inc., Ozark Lead Co., and Hecla Mining Co. were other major mine producers, accounting for an additional 40 percent of domestic mine output.

ASARCO is the only domestic company with a significant commercial interest in foreign zinc mining operations; these interests are primarily in Australia, Mexico, and Canada. Newmont Mining Co., St. Joe Resources Co., Phelps Dodge Corp., and AMAX Inc., however, are also involved in foreign zinc operations. In 1982, foreign ownership of operating U.S. zinc mines was essentially limited to the 50 percent interest of Cominco in the Magmont Mine in Missouri, and the 40 percent interest of Union Miniere S.A. of Belgium in the mines and refinery of Jersey Miniere Co. in Tennessee.

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The United States was the principal world mine producer of zinc until the middle 1960's when Canada became the leading producer. In the 1970's, mine output declined in the United States but increased in other countries; in 1982, the United States was fifth in world production, surpassed by Canada, the USSR, Australia, and Peru. In 1981 and 1982, a number of U.S. zinc mines closed because of poor zinc demand and low prices, while 2 new mines opened and output increased at several other mines.

Much of the recent decline in production is attributable to low ore grades, low by-product value, high production costs, and exhaustion of ore reserves. According to the U.S. Bureau of Mines, the United States has been dependent upon imports of concentrates for a substantial portion of smelter feed since 1940.

Employment at zinc and lead mines and concentrating plants (data for which are inseparable because of the co-product relationship) has declined from 4,600 in 1979 to 2,900 in 1983.

Domestic production of zinc ore, by zinc content and value (according to the U.S. Bureau of Mines), has been as follows:

Year	Quantity (short tons, zinc content)	Value (1,000 dollars)
1979	294,693	219,841
1980	349,546	261,671
1981	344,381	306,879
1982	330,995	254,668
1983	301,686	249,736

Imports of the subject forms of zinc were as follows during 1979-83:

Year	Quantity (short tons, zinc content)	Value (1,000 dollars)
1979	104,983	39,922
1980	209,359	77,133
1981	285,834	116,983
1982	84,381	31,492
1983	81,806	21,963

Imports of zinc ore accounted for about 85 percent of total imports of these products in 1983. The principal import sources in 1983 were Canada (31 percent), Mexico (30 percent), Peru (17 percent), and Honduras (16 percent); there were no imports subject to column 2 rates. The importers included metals traders and domestic slab zinc producers, such as Phillip Brothers, New York; Noranda Sales, New York; and National Zinc Co., Oklahoma.

Exports of the subject forms of zinc (Schedule B numbers 601.6100, 603.0030, and 626.1000) were as follows during 1979-83:

Year	Quantity (short tons)	Value (1,000 dollars)
1979	64,153	25,926
1980	112,228	52,850
1981	110,301	62,659
1982	117,631	57,842
1983	97,469	38,257

Exports of zinc ore accounted for about 72 percent of total exports. The principal export markets were Canada, West Germany, and Belgium. The principal exporters were metals traders and domestic producers.

Apparent consumption of the subject forms of zinc was as follows during 1979-83:

Year	Quantity (short tons)	Value (1,000 dollars)
1979	335,523	233,837
1980	446,677	285,954
1981	519,914	361,203
1982	297,745	228,318
1983	286,023	233,442

Comparison with Present Law

The current tariff treatment of the subject products is set forth in the table on the following page.

Effect on Revenue

Based on the range of import levels during 1979-83 of the subject forms of zinc and the rates of duty applicable if no suspension had been in effect, it is estimated that enactment of this legislation would result in a loss of customs revenues of approximately $763,000 to $2.5 million annually. The loss in revenues would decline through 1987 to about $517,000 to $1.8 million annually, as staged reductions in the duty rates on these forms of zinc (negotiated in the Multilateral Trade Negotiations) become effective.

Subcommittee Action

Agency Reports

The Department of Commerce had no objection to enactment of H.R. 4443.

The International Trade Commission submitted an informative report.

Table 1: Certain forms of zinc: U.S. rates of duty, by TSUS items

(Cents per pound, percent ad valorem)

TSUS item No. 1/	Description	Pre-MTN col. 1 rate of duty 2/	Staged col. 1 rates of duty effective with respect to articles entered on or after Jan. 1--								Col. 2 rate of duty
			1980	1981	1982	1983	1984	1985	1986	1987	
603.20A	All zinc bearing ores	.67¢	.62¢	.58¢	.53¢	.48¢	.44¢	.39¢	.35¢	.30¢	1.67¢.
603.30A	Zinc dross and zinc skimmings	.75¢	.73¢	.71¢	.69¢	.67¢	.66¢	.64¢	.62¢	.60¢	1.5¢.
603.49A	Materials over 10% cu, pb, zn when market price of copper is below 24¢/lb.	1¢ on cu content + .75¢ on pb content + .67¢ on zn content	.96¢ + .77¢ + .65¢	.92¢ + .69¢ + .63¢	.89¢ + .66¢ + .61¢	.85¢ + .62¢ + .58¢	.81¢ + .59¢ + .56¢	.77¢ + .58¢ + .54¢	.74¢ + .53¢ + .52¢	.70¢ + .50¢ + .50¢	4¢ + 1.5¢ + 1.67¢.
603.50A*	Other	.8¢ + .75¢ + .67¢	.74¢ + .69¢ + .62¢	.68¢ + .64¢ + .58¢	.62¢ + .58¢ + .53¢	.56¢ + .52¢ + .48¢	.50¢ + .47¢ + .44¢	.44¢ + .41¢ + .39¢	.38¢ + .36¢ + .35¢	.32¢ + .30¢ + .30¢	4¢ + 1.5¢ + 1.67¢.
603.54A	Materials over 5 troy ounces gold or 100 troy ounces precious metal when copper is below 24¢/lb.	1¢ + .75¢ + .67¢	.95¢ + .71¢ + .64¢	.9¢ + .66¢ + .6¢	.85¢ + .62¢ + .57¢	.80¢ + .57¢ + .53¢	.75¢ + .53¢ + .50¢	.70¢ + .49¢ + .48¢	.65¢ + .44¢ + .43¢	.60¢ + .40¢ + .40¢	4¢ + 1.5¢ + 1.67¢.
603.55A	Other	.8¢ + .75¢ + .67¢	.7¢ + .66¢ + .59¢	.6¢ + .56¢ + .5¢	.5¢ + .47¢ + .42¢	.4¢ + .37¢ + .33¢	.3¢ + .28¢ + .25¢	.2¢ + .19¢ + .17¢	.1¢ + .09¢ + .08¢	Free + Free + Free	4¢ + 1.5¢ + 1.67¢.
626.10	Zinc waste and scrap	.75¢	4.8%	4.4%	4%	3.7%	3.3%	2.9%	2.5%	2.1%	11%.

1/ The designation "A" or "A*" indicates that the item is currently designated as an eligible article for duty-free treatment under the U.S. Generalized System of Preferences. "A" indicates that all beneficiary developing countries are eligible for the GSP. "A*" indicates that certain of these countries, specified in general headnote 3(c) of the Tariff Schedules of the United States Annotated, are not eligible.

2/ Rate effective prior to Jan. 1, 1980.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4443 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 4443

Administration

Department of Commerce: No objection to enactment of H.R. 4443.

Statements for the Record

Supports

Lead-Zinc Producers Committee: The bill would assure domestic zinc smelters and refiners continued access to raw materials on a basis competitive with that available to foreign producers.

National Association of Recycling Industries, Inc.: Duty-free importation of recyclable zinc over a long period of years plainly has not adversely affected any U.S. interests--it has operated to maintain competitive equality among virgin and secondary producers of zinc products.

Opposes

Independent Zinc Alloyers Association: The alloyers conduct trade in a worldwide market and find no reason for a further extension of duty on ores. The duty treatment of slab zinc is costly to the American public and does nothing to protect the U.S. zinc producing industry.

H.R. 4513

Introduced by: Mr. Green (NY)
Date: November 18, 1983

To extend for four years the temporary suspension of duty on tartaric acid and certain tartaric chemicals.

Summary of the Provision

H.R. 4513, if enacted, would extend the temporary suspension of duty on tartaric acid and certain tartaric chemicals until June 30, 1988.

Section-by-Section Analysis

H.R. 4513 would amend items 907.65 (tartaric acid), 907.66 (potassium salts), 907.68 (cream of tartar), and 907.69 (sodium tartrate (Rochelle salts)) of the Appendix to the Tariff Schedules of the United States (TSUS) by striking from the Effective Period column the date "6/30/84" and inserting in lieu thereof "6/30/88". This would extend the temporary suspension of column 1 duties for those four items for four additional years, or until June 30, 1988. There would be no change in the column 2 rates of duty.

Section 2 would provide that the continued temporary duty suspension will apply to articles entered or withdrawn from warehouse on or after the 15th day after the date of the enactment of this Act. Provision is also made for the retroactive application of this legislation to June 30, 1984 under prescribed procedures.

Background and Justification

Tartaric acid is a colorless, transparent, crystalline solid or a white crystalline powder and is classified chemically as a disubstituted, dicarboxylic acid. It is produced from argols or wine lees by treatment with milk of lime (calcium hydroxide), followed by precipitation of calcium sulfate, and crystallization of the acid. Tartaric acid can also be produced synthetically by the hydroxylation of maleic anhydride.

Tartaric acid is used as an intermediate in the production of chemicals such as acetaldehyde, and various tartaric acid salts and esters. It is also used as a suquestrant in tanning, effervescent beverages, baking powder, flavors, ceramics, galvanoplastics, medicinal preparations, photographic printing and developing, textile processing, silvering glass mirrors, coloring metals and foods.

Tartar emetic (also referred to as potassium antimony tartrate) is an odorless, poisonous, transparent, crystalline solid which effloresces when exposed to air. It is produced from potassium bitartrate by reaction with antimony metal or antimony trioxide, and is used as a textile and leather mordant, a medicine, a perfumery component, and an insecticide.

Cream of tartar (containing over 90 percent potassium bitartrate by weight) is a white, crystalline powder with a pleasant acid taste. It is classified chemically as an organic acid salt. It is produced by hot water extraction from wine lees followed by crystallization. Cream of tartar is used in baking powder, the production of other tartrates, medicine, galvanizing metals, and foods.

Tartaric acid accounts for the major portion of imports of these tartaric chemicals. Imports of this product rose from 3.4 million pounds valued at $3.4 million in 1979, to 3.9 million pounds valued at $4.7 million in 1981, then declined to 3.6 million pounds valued at $2.4 million in 1983.

U.S. imports of cream of tartar fluctuated during 1979-83 from a low of 2.0 million pounds valued at $1.5 million in 1980, to a peak of 2.4 million pounds valued at $1.8 million in 1981.

The import quantity for all of these tartaric chemicals decreased from 6.9 million pounds valued at $6.7 millon in 1979, to 6.7 million pounds, valued at $4.0 million in 1983.

The major sources of imports of tartaric acid in 1983 were Spain, Italy and Argentine, which together accounted for almost 98 percent, by quantity, of such imports. Tartar emetic was supplied solely by Italy. Cream of tartar came from Italy, Spain, France, West Germany, Canada and the United Kingdom. The largest quantity of these chemicals came from Italy and Spain. No imports were supplied by column 2 sources.

The only chemicals produced in the United States from tartaric chemicals are Rochelle salt and potassium bitartrate. Data on exports of Rochelle salt and potassium bitartrate are not available, but because of U.S. demand for tartaric chemicals, exports are probably negligible.

Imports of tartaric acid approximate consumption and amounted to 3.4 million pounds in 1979. Imports of tartaric acid peaked at 3.9 million pounds in 1981, then declined slightly to a level of 3.6 million pounds in 1982 and 1983. Apparent consumption of tartaric acid salts fell in 1980 to approximately 2.8 million pounds, then increased to 3.5 milllion pounds in 1981. During 1982-1983, apparent consumption remained level at about 3.2 million pounds.

Comparison with Present Law

Tartaric acid is classified under TSUS item 425.94 with a column 1 duty rate of 5.1 percent ad valorem, an LDDC rate of 4.3 percent ad valorem, and a column 2 duty rate of 17 percent ad valorem. Tartar emetic is classified under TSUS item 426.72 with a column 1 duty rate of 1.9 percent ad valorem, an LDDC rate of 1.8 percent ad valorem, and a column 2 duty rate of 4 percent ad valorem. Cream of tartar is classified under TSUS item 426.76 with a column 1 duty rate of 5.5 percent ad valorem, an LDDC rate of 4.6 percent ad valorem, and a column 2 duty rate of 11 percent ad valorem. Rochelle salt is classified under TSUS item 426.82 with a column 1 duty rate of 4.7 percent ad valorem, an LDDC rate of 4.1 percent ad valorem, and a column 2 duty rate of 11.5 percent ad valorem.

Imports under all four of the above tariff provisions, if from designated beneficiary countries, are eligible for duty-free entry under the Generalized System of Preferences (GSP). Imports from designated Caribbean Basin countries are eligible for duty-free entry in accordance with the Caribbean Basin Initiative (CBI). Items 425.94, 426.72, 426.76 and 426.82, TSUS, are subject to staged tariff rate reductions as indicated by the table on the following page.

Effect on Revenue

If the import quantities and price levels of 1983 remained unchanged, the potential annual loss of revenue would amount to approximately $171,000. However, the quantity of imports of tartaric chemicals is expected to increase and the rates of duty are undergoing staged reductions. The result of these two interactions on potential revenues is unknown at the present time.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4513.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4513 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment to provide for the retroactive application of this provision to June 30, 1984, the date that the existing provision expired.

Senate Action

A companion bill (S. 2493) was introduced by Senator Moynihan.

SUMMARY OF TESTIMONY ON H.R. 4513

Administration

Department of Commerce: No objection to enactment of H.R. 4513

Statements for the Record

Supports

The Honorable Bill Green, M.C. (N.Y.): Since the suspension has been in effect, purchasers and users of tartrates have benefitted, and there has been no adverse impact on any domestic producer or on the labor market. Pharmaceutical manufacturers have benefitted from lower production costs for goods requiring tartrates raw materials, and the industry is not aware of any new efforts to produce tartrates in the United States.

Pfizer, Inc., and Tartaric Chemicals Corporation: The current suspension has benefitted importers and purchasers of these products without adversely affecting any domestic industry or workers, and without resulting in any significant loss of tariff revenue to the U.S. Treasury.

H.R. 4765

Introduced by: Mr. Albosta (MI)
Date: February 7, 1984

To extend duty-free treatment to imports of chipper knife steel.

Summary of the Provision

H.R. 4765, if enacted, would provide for permanent duty-free treatment to imports of chipper knife steel which is not cold formed.

Section-by-Section Analysis

H.R. 4765, if enacted, would amend item 606.93 in subpart B of part 2 of schedule 6 of the Tariff Schedules of the United States (TSUS) to provide permanent duty-free treatment to imports of chipper knife steel which is not cold formed. The column 2 rate of duty would remain unchanged.

Section 2 provides that the amendments would become effective for articles entered after December 31, 1984.

Background and Justification

"Chipper knife steel" is defined in headnote 2(h)(viii) of part 2B of schedule 6 as --

"alloy tool steel which contains, in addition to iron, each of the following elements by weight in the amount specified:

carbon:	not less than 0.48 nor more than 0.55 percent;
manganese:	not less than 0.20 nor more than 0.50 percent;
silicon:	not less than 0.75 nor more than 1.05 percent:
chromium:	not less than 7.25 nor more than 8.75 percent;
molybdenum:	not less than 1.25 nor more than 1.75 percent;
tungsten:	none, or not more than 1.75 percent;
vanadium:	not less than 0.20 nor more than 0.55 percent."

Tool steels are used primarily to make tools capable of cutting, forming, or otherwise shaping other materials in the manufacture of virtually all industrial products. They are made in small lots and under very high quality-control conditions. Tool steels, produced largely in the form of rods or bars, are noted for their hardness, abrasive resistance, and heat resistance.

Virtually all of the particular type of alloy tool steel described in this legislation is used to make chipper knives. These knives are used in machines that chip trees and other wood to make pulp and wood fiber products. The wood chips produced by chipper knives have a variety of uses, including treatment of sewage, production of paper and corrugated boxes, and landscaping.

Although a number of domestic specialty steel producers are technically capable of manufacturing chipper knife alloy tool steel, there is only one known U.S. producer: Jessop Steel Corp., Washington, Pennsylvania.

Jessop produces its chipper knife bars by manufacturing chipper knife plate, for which bars are cut. The firm apparently has limitations on the sizes and tolerances of the chipper knife bars it can provide. Total domestic production is estimated at approximately 30 tons in 1983, valued at approximately $60,000.

Apparent U.S. consumption is estimated at approximately 2,000 tons in 1983. Four chipper knife manufacturers are reported to consume almost all of the chipper knife steel imported into or manufactured in the United States. The cost of such alloy tool steel represents approximately 80 percent of the cost of manufacturing the finished product; i.e., the chipper knife.

There were believed to be no exports of chipper knife steel in 1983.

Data on imports of chipper knife alloy tool steel are not separately detailed before 1980. Imports of chipper knife steel not cold formed were 1,896 tons in 1983 valued at $3.1 million. Imports from 1980-83 have ranged from 1,370 to 1,840 tons annually. It is estimated that imports of such chipper knife steel supply virtually all of total domestic consumption. Major export sources of chipper knife steel, not cold formed, are West Germany, Sweden, and Japan.

Comparison with Present Law

Chipper knife alloy tool steel, not cold formed, is provided for in TSUS item 606.93, subpart B, part 2, schedule 6 of the TSUS at a column 1 rate of duty of 8.3 percent ad valorem plus additional duties on certain alloys, and a column 2 rate of duty of 28 percent ad valorem plus additional duties on certain alloys. However, TSUS item 911.29 in the Appendix to the TSUS provides for the temporary reduction of the column 1 duty rate for chipper knife steel (provided for in TSUS 606.93) to 4.0 percent ad valorem until December 31, 1984.

Under the Trade Agreements Act of 1979, the final column 1 rate of this item will be reduced in stages to 6 percent ad valorem plus additional duties effective January 1, 1987.

Chipper Knife Steel Bars (TSUS item 606.93)

Year	Rates of duty, effective with respect to articles entered, or withdrawn from warehouse for consumption on or after January 1--
Pre-MTN	10.5% ad val. + additional duties
1980	10.5% ad val. + additional duties
1981	10.5% ad val. + additional duties
1982	9.3% ad val. + additional duties
1983	9.0% ad val. + additional duties
1984	8.3% ad val. + additional duties
1985	7.5% ad val. + additional duties
1986	6.8% ad val. + additional duties
1987	6.0% ad val. + additional duties

Articles entered under TSUS item 606.93 have not been designated eligible for duty-free treatment under the Generalized System of Preferences (GSP). Other types of chipper knife steel are imported under eight separate TSUS item numbers. These imports are not affected by the proposed legislation.

Finished chipper knives are classified under the provisions for other "knives and cutting blades for power or hand machines, other than agricultural or horticultural machines and for shoe machinery" (TSUS item 649.67). Articles entered under TSUS item 649.67 are dutiable at a column 1 rate of 4.2 percent ad valorem and a column 2 rate of 20 percent ad valorem. These products have been designated as eligible articles for the GSP.

Effect on Revenue

Based upon duties collected in 1983 on chipper knife steel, not cold formed, potential revenue loss should be approximately $140,000.

Subcommittee Action

Agency Reports

The Department of Commerce had no objection to enactment of H.R. 4765.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4765 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment providing for the changes to become effective after December 31, 1984, the date that the existing appendix provision expires.

SUMMARY OF TESTIMONY ON H.R. 4765

Administration

Department of Commerce: No objection to enactment of H.R. 4765.

Statements for the Record

Supports

Machine Knife Association: Congress has previously passed two temporary reductions of the rate of duty on chipper knife steel. The American chipper knife manufacturers must rely on foreign imports of chipper knife steel as their source of raw material.

Opposes

The Specialty Steel Industy of the United States: U.S. producers of chipper knife steel have been devastated by imported chipper knife steel which is either heavily subsidized or dumped. The U.S. specialty steel industry wants only to maintain the tariff agreements already negotiated by the U.S. Government.

H.R. 4887

Introduced by: Mr. Vander Jagt
Date: February 21, 1984

To permit until January 1, 1986, the duty-free entry of megnetron tubes used in microwave cooking appliances.

Summary of the Provision

H.R. 4887, if enacted, would suspend the duty on megnetron tubes with an operating frequency of 2.450 GHZ and a minimum power of at least 300 watts and a maximum power not greater than 2000 watts until January 1, 1986.

Section-by-Section Analysis

H.R. 4887, if enacted, would amend the Appendix to the Tariff Schedules of the United States (TSUS) by inserting in numerical sequence a new item TSUS 912.12 permitting the temporary duty-free entry, from countries entitled to most-favored-nation treatment, of certain magnetron tubes provided for in TSUS item 684.28. Magnetron tubes are used in microwave cooking appliances; some are employed in certain defense applications, such as in radar, and in telecommunications transmissions. The new provision would take effect on or after the 15th day after the date of the enactment of this Act and terminate at the close of December 31, 1986.

Background and Justification

Magnetron tubes are electronic continuous-wave oscillators which cause moving electrons, generated from heated cathodes, to revolve around microwave circuits and react with the circuits (resonate) in a process known as bunching. Radio-frequency energy is generated, usually over the microwave frequency range of 1-40 gigahertz (GHz, meaning billions of cycles per second). Those tubes having a higher power may be used in such applications as terrestrial and satellite relays (to transmit telephone, telegraph, and television signals) and radar systems. They are not intended to be covered by proposed duty suspension; nor are the tubes with lower power having many uses other than in microwave cooking appliances.

Other magnetron tubes covert 60-cycle-per-second household electricity to the ultra-high frequency radio waves known as microwaves, usually at a frequency of about 2,350 GHz, for use in microwave cooking appliance (generally ovens). The tubes when operating generate about a kilowatt of power; the microwave energy creates a strong electrical field and causes food molecules to polarize

and align themselves in the direction of the field. As the field changes direction with each cycle, the food molecules are agitated and generate frictional heat. The amount of heat generated can be varied by turning the magnetron tube on and off. These microwaves produce heat throughout the entire mass of food instantaneously, thus permitting faster and more energy-efficient cooking.

Since there is no U.S. production and no exports, imports represent the entire source of U.S. supply and thus equal apparent consumption of magnetron tubes for use in microwave cooking appliances. Imports of all parts of cooking stoves and ranges are shown in the following table:

Parts of cooking stoves and ranges (TSUSA item 684.2890): U.S. imports for consumption, 1978-83

Year	Value (1,000 dollars)
1978	39,101
1979	44,366
1980	76,192
1981	90,557
1982	64,944
1983	103,033

Source: Complied from official statistics of the U.S. Department of Commerce.

Industry sources estimate that in 1983 over 80 percent of these parts, or $82 million, were magnetron tubes to be incorporated in microwave cooking appliances.

Japan, the only source of U.S. imports of magnetron tubes used in microwave cooking appliances, is also the leader in world production of these magnetron tubes. Three Japanese miltinational manufacturers, Matsushita (Quasar and Panasonic), Toshiba, and Hitachi, control virtually 100 percent of the U.S. market for magnetron tubes for microwave cooking appliances. Sanyo of Japan also produces magnetron tubes, but they are used primarily for Sanyo's own production of microwave ovens. Japan's dominance in the world market is a result of its major role in the development of the microwave oven, in which the magnetron tube is an integral part. The only other known producer of magnetron tubes used for microwave cooking appliances, Samsung of the Republic of Korea, is not believed to be exporting into the U.S. market at this time.

Comparison with Present Law

The subject magnetron tubes, if for use chiefly in microwave cooking appliances, are classified in TSUS item 684.28, covering parts of cooking stoves and ranges (including parts of microwave ovens). The current column 1 rate of duty applicable to imports under TSUS item 684.28 is 1.5 percent ad valorem. Staged tariff reductions for this TSUS item (in percent ad valorem), granted in the Tokyo round of the Multilateral Trade Negotiations (MTN), are shown below:

TSUS item no.	Effective on January 1			
	1984	1985	1986	1987
684.28A	1.5%	1%	0.5%	Free

Note: The 1983 column 1 ad valorem duty rate was 2 percent

The column 2 rate of duty is 35 percent ad valorem. Imports from least developed developing countries (LDDC's) currently enter free of duty, as provided under the LDDC rate of duty column.

Other magnetron tubes not chiefly used in such applicances are classified elsewhere in the TSUS based on their characteristics and intended uses. They will not be dealt with in the statistical sections of this report.

As noted above, articles classified in TSUS item 684.28 are eligible for duty-free entry under the GSP when imported from all designated beneficiary developing countries. During 1983, total GSP imports under item 684.28 were $3 million; none of these imports were of magnetron tubes. In addition, such articles if imported from designated beneficiary countries are eligible for duty-free entry under the Caribbean Basin Initiative (CBI).

Effect on Revenue

If this legislation is enacted, and if imports of magnetron tubes chiefly used in microwave cooking appliances continue at their 1983 level, there would be a total loss of about $3.1 million in customs revenues for the proposed 3-year period. This estimate takes into consideration the effect of the staged duty reductions for TSUS item 684.28, which would become permanently free of duty on January 1, 1987.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4887 provided it is amended to defined more specifically the magnetron tubes covered by the legislation.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4887 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment proposed by the Administration to more specifically define the magnetron tubes covered by the legislation. The effective date was also amended to 15 days after date of enactment.

SUMMARY OF TESTIMONY ON H.R. 4887

Administration

Department of Commerce: No objection to enactment of H.R. 4887 provided a more specific definition of magnetron tubes is made.

Statements for the Record

Supports

Magic Chef Inc.: There is no production of magnetron tubes in the United States. As a result, an additional financial burden exists due to the need to import the tubes.

Maytag Company: Reduce cost of importing tubes since there is no domestic production.

Association of Home Appliance Manufacturers: Reduce cost of importing tubes since there is no domestic production.

H.R. 4899

Introduced by: Mr. Frenzel
Date: February 22, 1984

To suspend the duty on acetylsulfaguanidine until the close of December 3, 1986.

Summary of the Provision

H.R. 4899, if enacted, would suspend the duty on acetylsulfaguanidine until the close of December 31, 1986.

Section-by-Section Analysis

Section 1 of H.R. 4899, if enacted would temporarily suspend the column 1 rate of duty for acetylsulfaguanidine, currently classified in item 406.56 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart B of part 1 of the Appendix to the TSUS to add a new item number, 907.11, with free entry for articles from countries entitled to MFN treatment, commencing on the date of enactment and ending December 31, 1986. The column 2 rate of duty is intended to remain unchanged.

Section 2 provides for the effective date of the Act to be on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Acetylsulfaguanidine is a synthetic organic chemical used in the production of sulfaguanidine. This chemical is used primarily to produce a sulfa drug, sulfamethazine. In the United States, this drug is used mainly to combat bacterial infections in animals. Domestic producers generally have the facilities to produce this sulfa drug from either acetylsulfaguanidine or sulfaguanidine. As a result, the selection of either chemical by the consumer usually depends on the price and availability of these chemicals.

At the present time, this chemical is not produced in the United States. According to a major importer, this chemical is not produced in the United States for a number of reasons such as high production costs, competitively-priced imports, and environmental concerns with the by-products.

According to a major importer, U.S. imports of this chemical in 1983 amounted to approximately 60,000 pounds, mainly from West Germany. During 1979-82, the International Trade Commission (ITC) found imports for only 1979 and 1980, amounting to 757,742 pounds and 198,370 pounds, respectively. The ITC did not find any imports from column 2 sources.

The major importers of acetylsulfaguanidine during 1979, 1980, and 1983 were Salsbury Laboratories, Charles City, Iowa, and Olavson Industries, Inc., New York, New York.

There are no exports of this chemical from the United States, since all imports are consumed domestically in the production of sulfamethazine which is more likely to be exported.

Since there is no domestic production, domestic consumption is essentially the same as the quantity of imported acetylsulfaguanidine.

Comparison with Present Law

Since July 1980, acetylsulfaguanidine has been classified in TSUS item 406.56, other sulfonamide products provided for in the Chemical Appendix to the Tariff Schedules, a provision created by Presidential Proclamation 4768 (45135, 45149). It is dutiable at a column 1 rate of 1.7 cents per pound plus 18 percent ad valorem; no preferential rate is afforded to imports from least developed developing countries. The column 2 duty rate is 7 cents per pound plus 57.5 percent ad valorem. The column 1 duty rate is not scheduled to be reduced through staging.

Imports of this chemical are not eligible for duty-free entry under the Generalized System of Preferences (GSP). However, imports from designated beneficiary countries are eligible for duty-free entry under the Caribbean Basin Initiative (CBI).

Effect on Revenue

Based on estimates by the major importers of potential imports, enactment of this legislation would likely result in a loss of customs revenue in 1984 of approximately $48,000.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 4899.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4899 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment changing the applicable column 2 rate for the new item from "Free" to "No change" and making the provision effective 15 days after enactment.

SUMMARY OF TESTIMONY ON H.R. 4899

Administration

Department of Commerce: No objection to enactment of H.R. 4899.

Statements for the Record

Supports

The Honorable Lane Evans, M.C. (Ill.): The bill suspends duty on a drug that is used primarily by the livestock and poultry industry directly in the treatment of animal infection or indirectly in the production of other drugs which treat infection.

Salsbury Laboratories: Sulfa drugs are of prime importance to the livestock and poultry industries and there is virtually no domestic production of these essential veterinary health products.

H.R. 5283

Introduced by: Mr. Schulze (PA)
Date: March 28, 1984

To suspend until July 1, 1987, the duty on decorative lace-braiding machines and parts thereof.

Summary of the Provision

H.R. 5283, if enacted, would suspend until July 1, 1987 the duty on decorative lace braiding machines.

Section-by-section analysis

Section 1 of H.R. 5283, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence the new item 912.11 to suspend the column 1 duty until July 1, 1987 on decorative lace-braiding machines using the jacquard system, and parts thereof, provided for in item 670.25 and 670.74, part 4E, schedule 6.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Textile braiding machines are of three general types, the comparatively simple Maypole type, which is used to produce such articles as sash cords, fire-hose covering, shoe laces, ornamental braid, fiberglass, sutures, optical fibers, and pacemaker leads, and high-speed type, which is used chiefly for insulating electric wires and cables; and the Barmen lace braider, which is used chiefly for making materials for insulating electrical wires and cables, and the Barmen lace-braider, which produces a fabric that is similar to handmade laces. These machines produce fabric by interlacing, diagonally, a series of threads or strands in a maypole fashion.

Separate domestic production data for lace-braiding machines is not available. The majority of domestic manufacturers indicated that they produce a wide variety of other textile machinery and that lace-braiders constitute a minor proportion of total annual sales.

Machines.--Imports of braiding and lace-braiding machines were as follows during 1979-83.

Year	Year (units)	Quantity (1,000 dollars)
1979	91	488
1980	165	572
1981	433	977
1982	842	1,166
1983	698	785

West Germany and Japan accounted for 96 percent of all U.S. imports of these machines in 1982 and 94 percent in 1983. Industry sources indicated that four companies dominate the U.S. import market. They are J.B. Hyde & Co. Ltd. of the

United Kingdom, Kokubun Iron Works of Japan, Wilhelm Steeger of West Germany, and the Karg Corporation of the United Kingdom.

Separate import data for lace-braiding machines are not available

Industry sources are of the opinion that import competition would increase as a result of the suspension of duties on imports under item 670.25 and 670.74. U.S. manufacturers indicated that they have dominated the domestic and international markets in recent years.

Parts.--Parts for lace-briding machines, if not specially provided for elsewhere in the TSUS are classifiable under item 670.7480 as other parts of textile machinery, not specially provided for. Imports under that item number during 1979-83 were as follows:

Year	Value (1,000 dollars)
1979	18,416
1980	15,984
1981	17,897
1982	14,974
1983	16,719

The percentage of the value of imports classified under TSUSA item 670.7480 which is attributable to parts for lace-braiding machines is not known. Japan and West Germany accounted for 58 percent of all imports under 670.7480 in 1982 and 50 percent in 1983.

Exports of braiding and lace-braiding machines, were as follows during 1979-83:

Year	Quantity (units)	Value (1,000 dollars)
1979	8,167	8,375
1980	2,402	11,276
1981	2,170	12,921
1982	1,312	9,631
1983	1,046	7,187

The percentage of the value of all braiding machines attributable to lace-braiding machines is not known. The United Kingdom, the Republic of South Africa, South Korea and Singapore were the largest export markets for all braiding machines during 1983, accounting for 31 percent of total U.S. exports.

Exports of parts for textile machinery, not specially provided for, were as follows during 1979-83.

Year	Value (1,000 dollars)
1979	19,537
1980	21,884
1981	22,621
1982	34,119
1983	22,145

The percentage of the value of these exports attributable to part for lace-braiding machines is not known. The United Kingdom, India and West Germany were the major foreign markets for exports of these parts.

Comparison with Present Law

Machines.--Lace-braiding machines are provided for in item 670.25, TSUS at a column 1 rate of 5.6 percent ad valorem and a column 2 rate of 40 percent ad valorem. The rate applicable to least developed developing countries (LDDC's) is 4.7 percent ad valorem. Articles imported from designated beneficiary developing countries and classified under item 670.25 may be eligible for duty-free entry under the Generalized System of Preferences (GSP). Imports from designated Caribbean countries may be eligible for duty-free treatment under the Caribbean Basin Initiative (CBI).

Parts.--Parts for lace-braiding machines are provided for in TSUS item 670.74. This provision covers all parts solely or chiefly used as parts of textile machinery, so long as they are not specially provided for elsewhere in the TSUS. The duty applicable to parts classified under item 670.74 is the rate for the machines of which they are parts. Thus, the duty rates given above for lace-braiding machines also apply to the parts of such machines.

Imports under item 670.74 are eligible for both the GSP and the CBI.

The staged rate reductions implemented in accordance with the Tokyo Round of Multilateral Trade Negotiations are indicated in the following table. These rates apply to both merchandise classified under item 670.25 and those parts for lace-braiding machines which are classified under item 670.74.

Year	Rate effective with respect to articles entered or withdrawn from warehouse on or after Jan. 1--
Pre-MTN	7.0%
1980	6.7%
1981	6.4%
1982	6.1%
1983	5.9%
1984	5.6%
1985	5.3%
1986	5.0%
1987	4.7%

Rate effective prior to Jan. 1, 1980

Effects on revenue

The average annual customs revenue loss resulting from suspension of the duty on lace-braiding machines and parts would be approximately $885,702. This estimate is based on 1983 import levels and on the staged reductions of the tariff rates scheduled for 1984-88. Annual revenue loss estimates are as follows:

Estimated annual revenue loss, 1984-88

Year	Total	Item 670.25	Item 670.7480
1984	$980,224	$43,960	$936,264
1985	927,712	41,605	886,107
1986	875,200	39,250	835,950
1987	822,688	36,895	785,793
1988	822,688	36,895	785,793

Subcommittee Action

Agency Reports

The Department of Commerce had no objection to enactment of H.R. 5283 provided that the original bill is changed to include the word "decorative" before lace braiding machines.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5283 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment proposed by the Administration to limit the coverage of the new provision to "decorative lace-braiding machines using the jacquard system". A change was also made in the effective date to conform with the other bills.

SUMMARY OF TESTIMONY ON H.R. 5283

Administration

Department of Commerce: Opposed the bill as orginally written because enactment could adversely affect at least three U.S. manufacturers of other than decorative lace braiding machines and parts. However, if "decorative" was inserted before lace braiding machines, then Commerce would have no objection. There are no producers of decorative lace braiding machines and parts.

H.R. 5284

Introduced by: Mr. Schulze (PA)
Date: March 28, 1984

To suspend until July 1, 1987, the duty on narrow fabric looms.

Summary of the Provision

H.R. 5284, if enacted, would suspend the duty on power driven weaving machines for weaving fabrics not over 12 inches in width, otherwise known as narrow fabric looms, until July 1, 1987.

Section-by-section analysis

Section 1 of H.R. 5284, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence the new item 912.04 to suspend the column 1 duty until July 1, 1987 on power driven weaving machines for weaving fabrics not over 12 inches in width, provided for in item 670.14, part 4D, schedule 6. A new headnote provision is also added to part 4 of schedule 6 to insure that the parts of such machines will continue to be dutiable at existing rates of duty.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Looms produce woven fabric by interlacing warp yarns, which run lengthwise through woven fabric, with filling yarns, which runs crosswise a right angles, by weaving over and under the yarns. Narrow fabrics, fabrics less than 12 inches in width, can be produced on either a conventional shuttle loom or on a shuttleless (needle) loom. Narrow fabric looms are used to produce flat goods of varing weights, yarns, construction, and finish. These looms produce items such as lightweight nonelastic tapes (ribbons), elastic webbing, elastic fibers, and bonded or slit topes.

According to industry sources, the last known U.S. producers of narrow fabric looms were Fletcher Industries of Southern Pines, N.C. and the Leesona Corporation of Charlotte, N.C. Fletcher Industries ceased production of narrow fabric looms in 1973. Company officials indicated that their narrow fabric looms were made obsolete with the introduction of needle looms. Officials also indicated that domestic demand is presently being satisfied by imports, products of the Leesona Corporation, and by used or reconditioned looms.

The Leesona Corporation manufactures a limited numbr of narrow fabric needle looms and a complete line of parts. Leesona Corporation officials said that parts manufactured for narrow fabric looms are interchangeabe with parts from looms producing regular fabric widths. Thus, Leesona Corporation takes the position that they would be adversely affected by enactment of this legislation because of the effect it would have on the market for parts for their sales of parts for narrow fabric looms.

Parts manufacturers such as Steel Heddle Manufacturing Company of Greenville, S. C., Pioneer Heddle & Reed Co., Inc. of Atlanta, Ga., and A. B. Carter, Inc. of Gastania, N.C., indicated that the parts they produce for regular-size fabric looms can also be used on narrow fabric looms.

Imports of narrow fabric looms were as follows during 1979-83:

Year	Quantity (units)	Value (1,000 dollars)
1979	234	3,351
1980	296	3,331
1981	518	5,863
1982	896	6,976
1983	440	3,900

Switzerland, West Germany and Japan accounted for 59 percent of all U.S. imports of these machines in 1982 and 73 percent in 1983. Industry sources indicated that three companies dominate the U.S. import market. They are the Bonas Machine Company, Ltd. of the United Kingdom, Jacob Muller Ltd. of Switzerland, and OMM (Menegatto) of Italy.

Fletcher Industries, which manufactured narrow fabric looms until 1973, presently does some importing of these machines. Thus, they take the position that they would gain from a suspension of the duties on these machines.

There were no imports of narrow fabric looms from column 2 countries, from LDDC's, or under teh GSP during 1982 or 1983.

Exports of narrow fabric looms were as follows during 1979-83.

Year	Quantity (units)	Value (1,000 Dollars)
1979	280	2,087
1980	182	968
1981	51	320
1982	44	1,168
1983	118	712

Industry officials indicated that exports consisted primarily of used or reconditioned looms. Mexico, Guatamala, Venezuela and the Republic of South Africa were the major foreign markets for these items during 1983, accounting for 32 percent of total exports.

Comparison with Present Law

Narrow fabric looms are provided for in item 670.14, TSUS, at a column 1 rate of 5.6 percent ad valorem. The rate applicable to least developed developing countries

(LDDC's) is 4.7 percent ad valorem. Articles imported from designated beneficiary developing countries and classified under item 670.14 may be eligible for duty-free entry under the Generalized System of Preferences (GSP). Imports from designated Caribbean countries may be eligible for duty-free treatment under the Caribbean Basin Initiative (CBI).

The staged rate reductions implemented in accordance with the Tokyo Round of Multilateral Trade Negotiations are indicated in the following table.

Year	Rate effective with respect to articles entered on or after Jan. 1--
Pre-MTN 1/	7.0%
1980	6.7%
1981	6.4%
1982	6.1%
1983	5.9%
1984	5.6%
1985	5.3%
1986	5.0%
1987	4.7%

1/ Rate effective prior to Jan. 1, 1980.

Effect on revenue

The average annual customs revenue loss resulting from suspension of the duty on narrow fabric looms would be approximately $197,340. This estimate is based on 1983 import levels and on the staged reductions of the tariff rates scheduled for 1984-88. Annual revenue loss estimates are as follows:

Year	Item 679.14
1984	$218,400
1985	206,700
1986	195,000
1987	183,300
1988	183,300

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Subcommittee Action

Agency Reports

The Department of Commerce had no objection to enactment of H.R. 5284 provided that a tariff remain on narrow fabric loom parts.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5284 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment excluding parts from the coverage of the new provision and a technical amendment conforming the effective date to the other provisions.

SUMMARY OF TESTIMONY ON H.R. 5284

Administration

Department of Commerce: Opposes enactment of H.R. 5284 as originally written but has no objections to suspension on narrow fabric looms provided a tariff remains on the parts thereof. Enactment of this bill could adversely affect the estimated 12-15 U.S. producers of narrow fabric loom parts (670.74). The competitive position of U.S. manufacturers of narrow fabric loom parts already has been seriously eroded.

Statements for the Record

Supports

Northern Textile Association: Enactment would be beneficial to American manufacturers as well as consumers. Suspension of the existing duty on these machines and their proprietary parts until July 1, 1987, will encourage narrow fabric firms to continue to replace outdated equipment. Purchasing the new equipment without the penalty of a tariff will assume that woven narrow fabric products will be more competitive at home and abroad.

Leesona Corporation: Supports enactment of H.R. 5284, a bill which suspends the duty on narrow fabric looms.

H.R. 5338

Introduced by: Mr. Schulze (PA)
Date: April 3, 1984

To provide for the temporary suspension of the duty on mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one, 2-methyl-4-isothiazolin-3-one, magnesium chloride and magnesium nitrate.

Summary of the Provision

H.R. 5338, if enacted, would temporarily suspend the duty on mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one,2-methyl-4-isothiazolin-3-one,magnesium chloride, and magnesium nitrate until June 30, 1987.

Section-by-Section Analysis

Section 1 of H.R. 5338, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) to suspend the column 1 rate of duty until June 30, 1987 on mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one, 2-methyl-4-isothiazolin-3-one, magnesium chloride and magnesium nitrate, provided for in item 432.25 TSUS. The column 2 rate of duty would remain unchanged.

The duty would be suspended with respect to articles entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of enactment of this Act. Upon request filed with Customs within ninety days of the date of enactment, the duty would also be suspended with respect to articles entered, or withdrawn from warehouse for consumption, before the enactment of the legislation, if the entry or withdrawal was unliquidated, or the liquidation was not final, on the date of enactment.

Background and Justification

In the commerce of the United States, mixtures of isothiazolinones are shipped as aqueous solutions. These solutions contain the active ingredient, as well as certain reaction products, and a stabilizer. Production and importation of this mixture are required to be in compliance with regulations of the Environmental Protection Agency issued under the Toxic Substance Control Act. The raw materials for this product are methyl-3-mercaptoproprionate, monomethylamine, chlorine, magnesium oxide, and magnesium nitrate. Mixtures of isothiazolinones are used as preservatives for cosmetics, toiletries, floor polishes, fabric softeners, dishwashing liquids, metal-working fluids, water-based paints, and latex polymers. They are also used as slimicides in pulp and paper mills, in secondary oil and gas production, in industrial cooling towers, and in air washers.

Rohm and Haas Co., a large U.S. multinational corporation, has a plant capable of producing mixtures of isothiazolinones, located in Philadelphia, Pennsylvania. Although they are not presently producing the product in the U.S. plant, they are doing so in the United Kingdom and are marketing that product in the United States.

Data concerning U.S. production of 5-chloro-2-methyl-4-isothiazolin-3-one and 2-methyl-4-isothiazolin-3-one have been reported to the U.S. International Trade Commission since 1980. However, these production data are accorded confidential business treatment and are therefore not included in this report. The International Trade Commission does not collect data on magnesium chloride and magnesium nitrate.

Data on U.S. imports of the mixtures of 5-chloro-2-methyl-4-isothiazolin-3-one and 2-methyl-4-isothiazolin-3-one, magnesium chloride, and magnesium nitrate are included within the statistical classification for other mixtures, not specially provided for. Therefore, data on this product alone are not available. The staff understands that it is the intention of the patent holder, Rohm and Haas, to supply the U.S. market for this product with imports only, rather than to produce the product in the U.S.

Data on U.S. exports of the mixtures in question are included within the export classification for mixtures and preparations, not specially provided for, and, therefore, data on this product alone are not available.

U.S. consumption of this product is believed to be approximately equal to the amount imported.

Comparison with Present Law

Mixtures of isothiazolinones are classified in TSUS item 432.25 as other mixtures not specially provided for, at a column 1 rate of duty of 4.2 percent ad valorem, but not less than the highest rate applicable to any component material. The LDDC and column 2 rates are, respectively, 3.7 percent and 25 percent ad valorem, but not less than the highest rate applicable to any component material. Articles imported from designated beneficiary countries and classified under TSUS item 432.25 are eligible for duty-free treatment under the Generalized System of Preferences (GSP). Imports from designated beneficiary Caribbean Basin countries are eligible for duty-free entry under the Caribbean Basin Initiative (CBI).

The component material contained in this mixture which has the highest rate of duty if imported as an individual compound is either one of the isothiazolinone compounds. Isothiazolinones are nitrogenous compounds classified under item 425.52, at a column 1 and LDDC rate of duty of 7.9 percent ad valorem, and a column 2 rate of 30.5 percent ad valorem. The concession granted with respect to item 425.52 during the Tokyo round of the Multilateral Trade Negotiations provided for a one-time reduction on July 1, 1980, from 8.4 percent to 7.9 percent ad valorem.

Effect on Revenue

The potential annual loss of revenue resulting from enactment of this legislation is estimated to be approximately $117,000.

Subcommittee Action

Agency Reports

The Department of Commerce had no objection to enactment of H.R. 5338 except that they did oppose the retroactive provision provided for in Section 2(b).

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5338 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment changing the effective date to 15 days after the date of enactment.

SUMMARY OF TESTIMONY ON H.R. 5338

Administration

Department of Commerce: No objection to enactment of H.R. 5338 except for the retroactive application of the duty suspension provided in Section 2(b) of the bill. Commerce opposes provisions of retroactivity.

Statments for the Record

Supports

Rohm and Haas Company: Chloromethylisothiozolinone based biocides are not manufactured in the United States and are in demand by U.S. industry for a wide variety of applications in which they have demonstrated superior cost effectiveness.

H.R. 5339

Introduced by: Mr. Schulze
Date: April 3, 1984

To provide for the temporary suspension of the duty on mixtures of potassium 1-(p-chlorophenyl)-1, 4-dihydro-6-methyl-4 -oxopyridazine-3-carboxylate ("fenridazon-potassium") and formulation adjuvants.

Summary of the Provision

H.R. 5339, if enacted, would temporarily suspend the duty on mixtures of potassium 1-(p-chlorophenyl)-1,4-dihydro-6-methyl-4-oxopyridazine-3-carboxylate (fenridazon-potassium) and formulation adjuvants until June 30, 1987.

Section-by-Section Analysis

H.R. 5339, if enacted, would temporarily suspend the column 1 rate of duty for mixtures of potassium 1-(p-chlorophenyl)-1, 4-dihydro-6-methyl-4-oxopyridazine-3-carboxylate ("fenridazon-potassium") and formulation adjuvants, currently classified in item 408.38 of the Tariff Schedules of the United States (TSUS). The legislation would amend subpart B of part 1 of the Appendix to the TSUS to add a new item, numbered 907.13, with free entry for articles from countries entitled to MFN treatment, commencing on or after the 15th day after the date of enactment of this Act and ending on June 30, 1987. Upon request filed with customs within 90 days of enactment of this legislation, the duty would also be suspended with respect to articles entered, or withdrawn from warehouse for consumption, before the enactment of the legislation, if the entry or withdrawal was unliquidated, or the liquidation was not final, on the date of enactment. The column 2 rate of duty would remain unchanged.

Background and Justification

Fenridazon-potassium is a synthetic organic chemical produced from specialty organic chemicals and then mixed with formulation adjuvants in an aqueous solution. At this time, its only known commercial use is as a plant growth regulator. This chemical inhibits the development of pollen on wheat, allowing the hybrid wheat seed to develop by selective cross-pollination. The only commonly used alternative to this method is to breed in male pollen sterility by using the cytoplasmic male sterile system. This, however, is an expensive and time-consuming procedure.

Fenridazon-potassium is manufactured only in the United States, solely by Rohm and Haas Company for exclusive use by an affiliate, Rohm and Haas Seeds, Inc. Production facilities are located in Philadelphia and Bristol, Pennsylvania. Rohm and Haas began manufacturing this chemical in 1981 and has patents in the United States and other major western countries. It has no plans to sell this product to any company in the United States or in any other country. According to a company spokesman, demand is currently greater than present production capacity. However, the firm has decided to transfer production to facilities in the United Kingdom rather than build a multi-million dollar plant in the United States dedicated to production of this product.

There was no U.S. production of mixtures of fenridazon-potassium and its formulation adjuvants prior to 1981. In 1982, domestic production data were reported to the International Trade Commission. However, these data are not publishable because they would reveal confidential business information.

There were no imports of this chemical or its mixtures during 1979-83.

There have been no exports of these products since all of the U.S. production has been for intracompany use at domestic plants.

Current U.S. production and consumption data are not included in this report because they would reveal confidential business information.

Comparison with Present Law

Mixtures of fenridazon-potassium and its formulation adjuvants are classified as pesticides in TSUS item 408.38, a provision created by Presidential Proclamation 4768 (45 F.R. 45135). Item 408.38 has a column 1 duty rate of 0.8 cents per pound plus 9.7 percent ad valorem and a column 2 rate of 7 cents per pound plus 31 percent ad valorem. No preferential rate is provided for imports from least developed developing countries. However, articles imported from designated beneficiary developing countries and classified under item 408.38 are eligible for duty-free entry under the Generalized System of Preferences (GSP) and imports from designated Caribbean Basin countries are eligible for duty-free treatment under the Caribbean Basin Initiative (CBI). The column 1 duty rate is not scheduled to be reduced through staging.

Effect on Revenue

Based on estimates concerning potential imports by Rohm and Haas, enactment of this legislation would likely result in a total loss of customs revenue during the period 1984-87 of approximately $400,000-$600,000, or approximately $100,000-$150,000 per year.

Subcommittee Action

Agency Reports

The Department of Commerce had no objection to enactment of H.R. 5339 except that they did oppose the retroactive provision provided for in Section 2(b).

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5339 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment changing the effective date to 15 days after the date of enactment.

SUMMARY OF TESTIMONY ON H.R. 5339

Administration

Department of Commerce: No objection to enactment of H.R. 5339 execpt for the retroactive application of the duty suspension provided in Section 2(b) of the bill, Commerce opposes provisions of retroactivity.

Statements for the Record

Supports

Rohm and Haas Company: Fenridazonpotassium is not manufactured in the United States and its use in the production of hybrid wheat seed would be of substantial benefit to the United States. More rapid development of new hybrids will lead to increased crop yields and lower costs which would help hold the line against rising food costs in the U.S. and help U.S. farmers remain competitive in world markets.

H.R. 5368

Introduced by: Mr. Sundquist
Date: April 4, 1984

To suspend for a 3-year period the duty on amiodarone.

Summary of the Provision

H.R. 5368, if enacted, would suspend the duty on amiodarone until September 30, 1987.

Section-by-Section Analysis

Section 1 of H.R. 5368, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new item TSUS 907.18 to suspend until September 30, 1987 the column 1 rate of duty on the drug amiodarone, provided for in item 412.12, part 1C, schedule 4. The column 2 rate of duty woudl not be affected.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

The Food and Drug Administration (FDA) lists amiodarone as an investigatory new drug. Amiodarone has been imported into the United States for clinical trials which are being carried out through approximately 500 physicians and pharmacologists.

According to the spokesman for the FDA advisory committee, consisting of independent physicians who are evaluating amiodarone, preliminary evidence indicates that the drug is a uniquely effective antiarrhythmic cardiovascular agent. The drug also acts a coronary vasodilator.

There is no known domestic producer of amiodarone.

Comparison with Present Law

Amiodarone is classified under TSUS item 412.12 as a cardiovascular drug not provided for in the Chemical Appendix to the Tariff Schedules.

The column 1 rate of duty is 8 percent ad valorem. This rate has been in effect since the provision was established (from item 407.85), effective July 1, 1980. The current column 1 rate reflects the full Multilateral Trade Negotiations (MTN) concession rate implemented without staging for articles classifiable under

TSUS item 412.12. The pre-MTN rate, under item 407.85, was 1.7 cents per pound plus 12.5 percent ad valorem. The column 2 rate of duty is currently 7 cents per pound plus 65 percent ad valorem. Preferential rates of LDDC imports were not established for this item.

Imports from designated beneficiary developing countries under TSUS item 412.12 are not eligible for duty-free entry under the Generalized System of Preferences (GSP). However, imports from designated Caribbean countries are eligible for duty-free treatment under the Caribbean Basin Initiative (CBI).

Effect on Revenue

The potential loss of revenue upon enactment of this legislation cannot be calculated because import value data are not available. The president of Sanofi, Inc. claims to have no knowledge of potential U.S. market for amiodarone if the drug is approved by the FDA for general use.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 5368.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5368 favorably reported to the full Committee on Ways and Means by voice vote, with technical amendments relating to the effective date of the provision.

SUMMARY OF TESTIMONY ON H.R. 5368

Administration

Department of Commerce: No objection to enactment of H.R. 5368.

Statements for the Record

Supports

American Heart Association: Amiodarone has not been approved for marketing in the United States by the Food and Drug Administration. The drug has demonstrated to be highly effective as an antiarythmic drug and is currently marketed in several European countries. Enactment would allow research to continue in the United States in order to obtain approval by the Food and Drug Administration to market the drug in the U.S.

H.R. 5389

Introduced by: Mr. VanderJagt
Date: April 5, 1984

To temporarily suspend until September 30, 1988, the duty on tetra amino biphenyl.

Summary of the Provision

H.R. 5389, if enacted, would suspend the duty on tetra anino biphenyl commonly called 3,3;-Diaminobenzidine until September 30, 1988.

Section-by-Section Analysis

Section 1 of H.R. 5389, if enacted, would amend subpart B of part 1 of the Appendix of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new item TSUS 907.32 to suspend until September 30, 1988 the column 1 rate of duty on 3,3;-Diaminobenzidine, provided for in item 404.90, subpart 1C, sechdule 4. The column 2 rate of duty would not be affected.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Tetra-aminobiphenyl is a synthetic organic chemical produced from petroleum and considered to be toxic. This product is copolymerized with diphenyl isophthalate to produce a high-temperature-resistant polybenzimidazole. The domestic producer of this polymer then uses it to make fibers, which are used in space suits for NASA and other high-temperature-resistant applications (e.g., aircraft construction).

At the present time, this chemical is not produced in the United States. The sole importer does not have any immediate plans to build a plant to produce the chemical because of the high construction cost involved (approximately $20-25 million), since the product has a single end use. According to the importer, efforts to find a domestic source for this product have not been successful.

Prior to 1981, this chemical was not imported into the United States in commercial quantities. In 1981, U.S. imports of this chemical from West Germany amounted to 7,003 pounds, valued at approximately $280,000. Imports of this chemical in 1982 amounted to 11,776 pounds, valued at approximately $170,000. According to the only U. S. importer, Celanese

Chemical Company of Dallas, Texas, 1983 imports amounted to approximately 20,000 pounds, valued at $300,000. Because the chemical is classified in a basket tariff item, separate official statistics are unavailable.

There are no exports of this chemical from the United States, since all imports are consumed domestically in the production of the polymer.

Since there is no domestic production, domestic consumption is essentially the same as the quantity of imported tetra-aminobiphenyl.

Comparison wi h Present Law

Since July 1, 1980, tetra-aminobiphenyl has been classified in TSUS item 404.90, a residual or "basket" provision created by Presidential Proclamation 4768 (45 F.R. 45135,45149). It is dutiable at a column 1 rate of 13.5 percent ad valorem; no preferential rate is afforded to imports from least developed developing countries. The colum 2 duty rate is 7 cents per pound plus 60 percent ad valorem. The column 1 duty rate is not scheduled to reduced through staging.

Imports of this chemical are not eligible for duty-free entry under the Generalized System of Preferences (GSP). However, imports from designated beneficiary countries are eligible for duty-free entry under the Caribbean Basin Initiative.

Effect on Revenue

Based on estimates by the importer of potential imports, enactment of this legislation would likely result in a loss of customs revenue in 1984 of approximately $110,000. During the next three years, U.S. imports may increase to 180,000-200,000 pounds per year, depending upon demand. If this level of imports is realized, the annual potential loss of revenue would be approximately $400,000-500,000.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 5389.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5389 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment to conform the article description of the new item to use the more specific name of the subject chemical.

Senate Action

A companion bill (S. 2427) was introduced by Senator Heinz.

SUMMARY OF TESTIMONY ON H.R. 5389

Administration

Department of Commerce: No objection to enactment of H.R. 5389.

H.R. 5410

Introduced by: Mr. Matsui (Calif.)
Date: April 10, 1984

To provide duty-free treatment to scrolls or tablets imported for use in religious observances.

Summary of the Provision

H.R. 5410, if enacted, would extend duty-free treatment to scrolls or tablets imported for use in religious observances.

Section-by-Section Analysis

Section 1 of H.R. 5410, if enacted, would amend part 4 of schedule 8 of the Tariff Schedules of the United States (19 U.S.C. 1202) by striking out "and 854.30" in headnote 1 and inserting in lieu thereof "854.30 and 854.40" and by inserting 854.40 in numerical sequence to extend duty free treatment to scrolls or tablets of wood or paper, commonly known as gohonzon, imported for use in public or private religious observances.

Section 2 makes this provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Gohonzon are either tablets or scrolls. The tablet form is principally used by institutions (e.g., temples) and is made of wood approximately 2 inches thick, 2 feet wide, and 4 feet long. The wooden tablets are carved by the high priest. There are only a few of this type of Gohonzon imported into the United States due to their limited use. These objects are considered by Buddhist believers to be extremely respected objects of worship and are the focal point of the religion.

The principal user of Gohonzon is the Japanese Buddhist sect Nishiren Shoshu, a 750 year old denomination first introduced into the United States in the 1950s by Japanese wives of U.S. military personnel. At present, there are 6 temples, 37 community centers, and 2 training centers, with an estimated 300,000 believers.

There are no domestic producers of Gohonzon since the high priest in Japan must either inscribe or oversee the inscription of the item. Each temple in the United States imports its Gohonzon. Once a believer has demonstrated a prescribed level of commitment, a priest presents the believer with a Gohonzon. Thus, the priesthood controls the manufacture and distribution of this item.

Japan is the sole source of Gohonzon. There were approximately 32,000 Gohonzon imported into the United States in the period 1979-83. An estimated 2,000 items were imported during 1979 and 1980, around 3,000 items during 1981 and 1982, and an estimated 22,000 in 1983.

There are no U.S. exports of Gohonzon.

Apparent U.S. consumption is the same as U.S. imports since there is no domestic production and there are no U.S. exports.

Comparison with Present Law

Gohonzon imported into the United States enter under item 207.00 of the Tariff Schedules of the United States (TSUS). This provision covers all articles made of wood which are not specifically provided for elsewhere. Since the only source of Gohonzon is Japan, the column 1 rate of duty is the only applicable rate and is presently 6.2 percent.

Effect on Revenue

The effect on revenue from enactment of this legislation cannot be determined.

Subcommittee Action

Agency Reports

The Department of Commerce had no objection to enactment of H.R. 5410.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5410 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment changing the effective date to 15 days after the date of enactment.

Senate Action

A companion bill (S. 2596) was introduced by Senator Matsunaga.

SUMMARY OF TESTIMONY ON H.R. 5410

Administration

Department of Commerce: No objection to enactment of H.R. 5410.

H.R. 5418

Introduced by: Mr. Frenzel
Date: April 11, 1984

To amend section 641 of the Tariff Act of 1930, and for other purposes.

Summary of the Provision

H.R. 5418, if enacted, would revise the law regulating Customs brokers.

Section-by-Section Analysis

This bill, which is entitled "The Customs Brokers Act of 1984", makes comprehensive changes to section 641 of the Tariff Act of 1930 relating to customs brokers.

Section 2 for the first time defines the term "customs business" and restricts the scope of Customs' review of customs brokers to such customs business. It also specifies that only licensed brokers may conduct customs business for third parties; sets forth licensing and permit procedures; establishes a duty for customs brokers to exercise responsibility and control over its customs business; provides for disciplinary proceedings, including monetary penalties and revocation or suspension of licenses or permits under prescribed procedures. Procedures are also provided for judicial appeal of administrative action. Brokers licenses are subject to suspension and revocation if the required trienniel reports are not timely filed with the Secretary of the Treasury and the Secretary is given the authority to assess reasonable fees and charges to defray, or an aggregated basis, the costs of carrying out the provisions herein.

Section 3 through 9 makes conforming changes to other provisions of law to clearly establish that the Court of International Trade has exclusive jurisdiction over decisions of the Secretary of the Treasury pursuant to section 641, as amended by this legislation.

Section 10 amends section 520(a) of the Tariff Act to authorize Customs to issue refunds prior to liquidation in the case of clerical error.

Finally, section 11 provides for the legislation to be effective 180 days after enactment and set forth transitional rules.

Background and Justification

Basically, the bill maintains the system of licensing brokers, but gives Customs the opportunity to more closely examine the qualifications of potential brokers, and to apply penalties more effectively when brokers have violated the terms of their licenses. The bill restricts the scope of Customs jurisdiction over brokers to "customs business" as defined in section 2(a)(2). The majority of the bill relates to changes which will make it easier for Customs to penalize those who violate either a broker or permit license.

Comparison to Present Law

The bill permits a license to be granted to any corporation, association, or partnership if one officer or partner is a broker, rather than two specified in current law.

For the first time, the bill provides for the assessment of a monetary penalty, up to $30,000, for violations, in lieu of suspension or revocation of licenses. Monetary penalty cannot be assessed for non-Customs crimes such as larceny or extortion.

The bill classifies what actions by brokers can constitute a penalty, revocation or suspension.

Current law requires brokers to notify Customs each 3 years as to whether they are still in business. With this bill, if these reports are not filed, individual broker's licenses may be suspended until filed or revoked.

The bill authorizes Customs to charge fees to brokers for carrying out sections of the bill.

The amendments made by this bill shall take effect upon the close of the 180th day following the date of enactment.

Effect on Revenue

The effect on revenue from enactment of this legislation cannot be determined.

Subcommittee Action

Agency Reports

The U.S. Customs Service has no objection to enactment of H.R. 5418 provided that the few areas of disagreement between the Customs Service and the National Brokers Association are resolved.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5418 favorably reported to the full Committee on Ways and Means by voice vote, with several amendments. A new subparagraph (F) was added to section 641(d)(1) allowing for the Secretary to take disciplinary action against a broker if he has, in the course of his customs business, knowingly deceived, misled, or threatened any current or prospective client. Paragraph (d)(2) was amended to provide that the Secretary's decision with regard to monetary penalties must be "based solely on the record." Paragraph (c)(2) was clarified to indicate that the court can consider the Secretary's decisions regarding "the introduction of evidence or testimony" as well as his first decision so long as the objection was raised before the hearing officer.

A minor amendment was made to paragraph (f) so that brokers would be required to provide information relating to their customs business only to employees or officers of the U.S. Customs Service. Paragraph (h) was amended to protect brokers against Customs' assessment of separate fees to defray the costs of an individual audit or individual disciplinary proceedings. Finally, section 9 was amended to clarify the liens which are covered and section 10 was amended to provide that Customs referral of excess duties prior to liquidation shall be limited to cases involving clerical error.

SUMMARY OF TESTIMONY ON H.R. 5418

Administration

United States Customs: No objection to enactment of H.R. 5418 provided that areas of disagreement between the Customs Service and the National Brokers Association are worked out. The Customs Service would like to see alternative language relating to disciplinary proceedings, a custom officer instead of an ALJ as the hearing examiner, deletion of section 10 that would allow for refunds prior to liquidation and a clearer meaning in section 9 as to the type and nature of liens which brokers might possess under the statutes or common law of the various states.

Public Witnesses

Oral Testimony

Supports

National Customs Brokers & Forwarders Association of America, Inc.: H.R. 5418 would: (1) modernize and revise the customs regulating system, (2) give brokers one nationwide license, (3) give the Secretary of Treasury additional flexibility to discipline brokers, (4) allow hearings before an ALJ, (5) define "custom business" for regulatory responsibility and, finally, procedures for judicial review should be revised to conform with the changes to Section 641.

J.F.K. Airport Customs Brokers Association: The Association supports the general objectives of H.R. 5418 with few suggestions that would make the bill more closely reflect the intentions of the framers and may alleviate possible conflicts with other existing laws. Suggest it be made clear that suspension or revocation are appropriate penalties only for certain enumerated types or classes of violations and only for serious violations. Suggests correction by appropriate language of possible problems with intention to have objections to testimony and evidence raised before the hearing officer. The suspension and revocation of a brokers license for not filing a timely notice is unnecessarily harsh. Also suggests changes regarding customs brokers book and record keeping and National Customs Brokers license requirements.

H.R. 5429

Introduced by: Mr. McNulty
Date: April 11, 1984

To provide for the duty-free entry of articles required for the installation and operation of a telescope in Arizona.

Summary of the Provision

H.R. 5429, if enacted, would provide for the duty-free entry into the United States of instruments and apparatus required for the installation and operation of a sub-mm telescope in Arizona.

Section-by-Section Analysis

H.R. 5429, if enacted, would provide for the duty-free entry into the United States of articles required for the installation and operation of a sub-mm telescope in Arizona which is the subject of a joint astronomical project undertaken by the Steward Observatory of the University of Arizona and the Max Planck Institute. The proposed bill provides that the Secretary of the Treasury be authorized and directed to admit free of duty instruments and apparatus (within the meaning of headnote 6 to part 4 of the schedule 8 of the Tariff Schedule of the United States (19 U.S.C. 1202)) for use in the installation or operation of a sub-mm telescope.

Background and Justification

The intent of this legislation is to facilitate scientific cooperation between the Steward Observatory of the University of Arizona located in Tucson, and the Max Planck Institute for Radioastronomy in Bonn, West Germany, by allowing duty-free treatment of items imported into the United States for the installation and operation of a jointly owned sub-mm telescope (SMT). The SMT is to be constructed in Southern Arizona on a site provided by the University of Arizona. The estimated $4 million cost of the project is to be shared by the two institutions.

In 1982, the University of Arizona signed a Memorandum of Understanding with Max Planck Institute for Radioastronomy in Bonn, West Germany, which provided for the building of a new $4 million SMT in southern Arizona on a site provided by the University of Arizona. The SMT is the first telescope in the world to work at a radio wavelength frequency of 1.3 millimeter, at which frequency radiation from astronomical objects can still penetrate the earth's atmosphere. This wavelength range, which is still largely unexplored, appears to hold the key to understanding the intersteller medium and the process of star formation.

The telescope design reportedly incorporates many state-of-the-art technological features. The reflector and backup structure

will be made of carbon fiber reinforced plastic (CFRP), also known as graphite epoxy, which has a remarkably high strength and low thermal expansion coefficient. The reflector surfaces will be made of precision replicated sandwich panels formed from an aluminum core and CFRP face sheets utilizing a recent breakthrough in technique resulting from a University of Arizona - West Germany collaborative effort. The panels will be replicated from very high accuracy pyrex molds generated at the University of Arizona's Optical Sciences Center. Conversations with persons knowledgeable about the project indicate that the SMT telescope may well be unique, i.e., it may incorporate articles not normally manufactured in the United States.

In addition to detailing the specifics of joint obligations regarding the construction, installation, and operation of the SMT, the Memorandum of Understanding also refers to proposed customs arrangements. In particular, the University of Arizona, with the support of the Max Planck Institute (MPI), is to try to obtain a "waiver of customs duties on SMT components imported from West Germany." The key point regarding customs arrangements in the agreement is that if the University of Arizona in unable to obtain a waiver of customs duties, it will seek "alternative solutions acceptable to MPI" at an appropriate time.

The articles to be imported from the Federal Republic of Germany include the following items:

1. Telescope mount and control electronics
2. Reflector support structure
3. Reflector panels
4. Secondary mirror support structure
5. Microwave receivers, bolometers, and associated electronic systems
6. Cryogenic dewars, compressors, and vacuum pumps
7. Analog and digital computer interfaces, including CAMAC crates
8. Electronic and microwave test equipment
9. Semiconductor devices such as mixer diodes, bolometers, and solidstate oscillators
10. Vacuum tubes such as klystrons and carcinotrons
11. Laser local oscillator systems
12. Auxiliary instrumentation for use with SMT
13. Computer systems for telescope control, data acquisition, and data reduction

In addition to the items mentioned above, many other articles would be utilized for the construction, installation, or operation of the telescope. Under this legislation, "any article" (emphasis supplied) required by the joint University of Arizona-Max Planck Institute SMT project would receive duty-free treatment.

The total value of imports mentioned above is estimated by the SMT project management to be about $2 million. Of this, about $1 million is for the imported components of the telescope itself and an estimated additional $1 million is for the other imported items associated with the installation and operation of the SMT. Two million dollars is the projected cost for the building to house the SMT. According to the University of Arizona project manager, the components of the telescope are unique, "one of a kind" items that are not manufactured in the United States. Other items, such as the computer systems, are to be manufactured in the United States. In fact, the University of Arizona already has had discussions concerning the manufacture of some of the computer equipment here.

Comparison with Present Law

The Tariff Schedules of the United States (TSUS) accords duty-free treatment to articles "entered for the use of any nonprofit institution, whether public or private, established for educational or scientific purposes." Specifically, "instruments and apparatus" may enter free of duty under item 851.60 and repair components for such instruments or apparatus may enter free under item 851.65. "Instruments and apparatus" are defined in headnote 6(a) to schedule 8, part 4, as follows:

The term "instruments and apparatus" (item 851.60) embraces only instruments and apparatus provided for in--

(i) schedule 5: items 535.21-.27 and subpart E of part 2: and items 547.53 and 547.55 and subpart D of part 3;

(ii) schedule 6: subpart G of part 3; subparts A and F and items 676.15, 676.20, and 678.50 of part 4; part 5; and items 694.16, 694.50, 694.63, and 696.60 of part 6; and

(iii) schedule 7: part 2 (except subpart G); and item 790.59-.62 of subpart A of part 13;

but the term does not include materials or supplies, nor does it include ordinary equipment for use in building construction or maintenance or for use in supporting activities of the institution such as its administrative offices or its eating or religious facilities.

Items 851.60 and 851.65 provide as follows:

Item	Articles	Rates of Duty 1	Rates of Duty 2
	Articles entered for the use of any nonprofit institution, whether public or private, established for educational or scientific purposes:		
851.60	Instruments and apparatus, if no instrument or apparatus of equivalent scientific value for the purposes for which the instrument or apparatus is intended to be used is being manufactured in the United States (see headnote 6 to this part)	Free	Free
851.65	Repair components for instruments or apparatus admitted under item 851.60	Free	Free

The proposed bill covers articles which may normally enter under either 851.60 or 851.65 plus articles excluded from these provisions which are classifiable in schedules 1-7, i.e.;

> materials or supplies...ordinary equipment for use in building construction or maintenance or for use in supporting activities of the institution such as its administrative offices or its eating or religious facilities.

The determination of the avilability of U.S. manufactured instruments or apparatus equivalent to the proposed imports, required in order to qualify the imports for entry under item 851.60, is based, at least in part, on advice by the "Florence Agreement Committee" of the National Institutes of Health, HHS. The Committee consists of the Secretary of the Treasury, the Secretary of Commerce, and the Secretary of Education. Not infrequently, the Department of Commerce's determination of the availability of domestic equipment of "equivalent scientific value." The availability of equivalent U.S. manufactured instruments or apparatus has been a significant impediment to duty-free treatment. By providing unrestricted duty-free entry for all articles required for the construction, installation, and operation of the telescope, the bill eliminates the necessity for the importer to qualify these articles under items 851.60 and 851.65.

Effect on Revenue

An exact estimate of the revenue loss is difficult to determine since some imports might otherwise qualify for duty-free entry under item 851.60 or item 851.65, while other imports would probably be dutiable. The University of Arizona project management was unable to provide an estimate of potential revenue loss.

Subcommittee Action

Agency Reports

The Department of Commerce opposes enactment of H.R. 5429 as introduced but would have no objection provided the bill is amended to narrow the scope of the duty-free exemptions.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5429 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment restricting the articles to be entitled to duty-free treatment to "instruments and apparatus" as defined in headnote 6 to part 4 of schedule 8 of the TSUS.

SUMMARY OF TESTIMONY ON H.R. 5429

Administration

Department of Commerce: Opposes enactment of H.R. 5429 as introduced but would have no objection provided the bill is amended to narrow the scope of the duty-free exemptions. The scope of the exemptions should be limited to "instruments and apparatus" which are embraced in the TSUS and which are specified in the existing memorandum of understanding between the parties.

Also, Commerce is opposed in principle to legislation which would bypass the procedures and criteria of the Educational, Scientific, and Cultural Materials Importation Act of 1966 (ESCMIA) which makes available administrative determinations to allow duty-free entry of such equipment.

H.R. 5436

Introduced by: Ms. Oakar
Date: April 11, 1984

To provide for the duty-free entry of organs imported for the use of Trinity Cathedral of Cleveland, Ohio.

Summary of the Provision

H.R. 5436, if enacted, would provide for duty-free entry of pipe organs manufactured in the Netherlands, and imported for the use of Trinity Cathedral of Cleveland, Ohio, during 1973-1978.

Section-by-Section Analysis

H.R. 5436, if enacted, would provide for retroactive duty-free entry of pipe organs manufactured in the Netherlands, and imported for the use of Trinity Cathedral of Cleveland, Ohio, during 1973-1978.

Background and Justification

The pipe organ, is a wind musical instrument with a keyboard and footbars that are operated by the player's hands and feet, respectively. The instrument contains a series of pipes of various lengths and diameters with stand on an airtight wind chest equipped with valves that regulate airflow. Musical notes are produced by means of compressed air that is forced through these pipes. Pipe organs vary greatly in size and quality and include the largest and most powerful musical instruments in the world. They are used almost exclusively in churches, auditoriums, and other large assembly areas. In practically all instances these instruments require customized design, construction, and installation. Differences between the domestic and imported articles are essentially ones of consumer preferences, influenced to some degree by price.

According to estimates of the APOBA, U.S. producers' shipments of pipe organs during 1979-83 annually averaged 250 units, valued at $37.5 million. Estimated shipments ranged from 200 units valued at $30.0 million in 1982, to 300 units valued at $45.0 million in 1981.

U.S. imports of pipe organs increased by 36 percent in terms of quantity, from 66 units to 90 units; the value increased by 33 percent, from $4.0 million to $5.3 million during the period 1979-83. Canada was by far the leading supplier of pipe organs during the period. Canada's share of the imports ranged from 53 percent to 69 percent of the quantity, and from 66 percent to 84 percent of the value during 1979-83. Other suppliers included West Germany, the Netherlands, Austria, and Italy.

The rise in imports of pipe organs is attributable, in part, to increased demand for less-expensive pipe organs than are customarily produced domestically. Such cost-savings programs by churches, the principal purchasers of the organs, are, to a degree, believed to be a result of the economic recession during this period.

U.S. exports of pipe organs have traditionally been negligible.

Estimated apparent U.S. consumption of pipe organs increased from 316 units valued at $41.5 million in 1979, to 340 units valued at $42.8 million in 1983. The ratio of imports to consumption increased from 21 percent to 26 percent, in terms of quantity, and from 10 percent to 12 percent in terms of value. Apparent consumption peaked at 357 units valued at $49.6 million in 1981. Note that data on consumption (i.e., delivery) of pipe organs may reflect sales made 18 months to 2 years earlier.

Comparison with Present Law

Pipe organs imported from the Netherlands are classified under item 725.10. As a result of the Multilateral Trade Negotiations in Geneva (Tokyo round), the column 1 rate of duty was reduced to free, effective January 1, 1981. LDDC imports also receive the column 1 rate of duty. The current column 2 rate of duty for item 725.10 is 35 percent ad valorem. Since the most-favored-nation (MFN) rate is free on a permanent basis, there is no occasion for GSP or CBI preferential treatment.

Effect on Revenue

The loss of customs revenue, based on the entries described to the ITC by the proponents, totals $19,300.74. The first organ was imported in August 1973; duty paid was $821.60. The second organ was imported in September 1976; duty paid was $4,769.64. The third organ was imported in October 1977; duty paid was $13,709.50.

Subcommittee Action

The Department of Commerce opposes enactment of H.R. 5436 because the legislation could create an unwise precedent for retroactive duty reduction.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5436 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment.

SUMMARY OF TESTIMONY ON H.R. 5436

Administration

Department of Commerce: Opposes enactment of H.R. 5436. This legislation could create an unwise precedent for retroactive duty reduction many years after actual importation of organs and similar articles imported for the benefit of nonprofit organizations. Enactment of the legislation would retroactively affect duties imposed at least seven years ago.

H.R. 5448

Introduced by: Mr. Conable
Date: April 12, 1984

To provide duty-free treatment of articles previously imported, with respect to which duty was previously paid.

Summary of the Provision

H.R. 5448, if enacted, would facilitate the entry into this country of reimported goods if the product has not been enhanced in value while abroad.

Section-by-Section Analysis

Section 1 of H.R. 5448, if enacted, would extend the duty-free treatment of item 801.00 of the Tariff Schedules of the United States (TSUS) to the reimportation of articles which were imported into the United States and then exported under lease or similar use agreement to an entity other than a foreign manufacturer. The intent of item 801.00 is to facilitate the entry into this country of reimported goods if the product has not been enhanced in value while abroad. The intent of this legislation is to extend the coverage of that provision to the reimportation of goods which were exported under lease to someone other than a foreign manufacturer; of particular concern are exportations under lease to a government or service industry.

Section 2 provides for the effective date to be on or after the 15th day after the date of enactment of this Act.

Background and Justification

Item 801.00 provides for free entry of the following:

> Articles, previously imported, with respect to which the duty was paid upon such previous importation, if (1) re-imported, without having been advanced in value or improved in condition by any process of manufacture or other means while abroad, after having been exported under lease to a foreign manufacturer, and (2) reimported by or for the account of the person who imported it into, and exported it from, the United States . . . .

This language, with minor alterations for clarity, was taken from paragraph 1615(a) of the Tariff Act of 1930, as amended, August 16, 1954.

According to the Congressional Record, the legislative intent of the 1954 amendment was to avoid requiring a person to pay duty a second time on the same goods.

Item 801.00 may be applied to any type of article. However, it appears to be primarily applied to the reimportation of injection molds for plastic or rubber products, such as combs, plastic houseware items, toys, or tires. The molds are manufactured of steel and generally range in price from $8,000 to $80,000. Other reimported articles entered under item 801.00 include dies of all kinds and general tooling equipment such as jigs, fixtures, and CNC machine lathes.

The value of U.S. imports entering under item 801.00 increased from $21.5 million in 1979 to approximately $33.5 million in 1983, or by 61 percent. There had been a continual increase in value up to 1982, then a slight decline in 1983. However, the first quarter of 1984 indicates a 22 percent increase ($8,997,000) over the corresponding quarter of 1983. Based on 1983 data, Australia accounted for the largest share of imports in this provision, followed by West Germany and Canada. Imports from Australia accounted for 25 percent of total 801.00 imports, West Germany accounted for about 24 percent, and Canada approximately 20 percent.

Comparison with Present Law

The duty rate applicable to the original importation depends upon the particular item imported and U.S. Customs' classification determination.

Effect on Revenue

Since the volume and type of articles covered by the bill cannot be specified, the precise effect on customs revenues cannot be stated. However, it is estimated that the total amount of customs revenues lost would be negligible, especially considering the fact that most companies lease for a period longer than 5 years and would depreciate the value of the asset to almost zero before reimporting it.

Subcommittee Action

Agency Reports

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5448 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment to expand the term lease in item 801.00 to include "lease or similar use agreements".

SUMMARY OF TESTIMONY ON H.R. 5448

Administration

We have heard of no objection from the Administration.

Statements for the Record

Supports

Mr. Martimer Fuller, III: This bill should be enacted because (1) the current law is unfair, since a company is required to pay duty on the same equipment because the equipment crosses the border; (2) the current law reduces the opportunity for U.S. companies to do business; and (3) it is a simple way for Congress to assist in alleviating the railcar surplus problem by expanding the available marke for U.S.-owned equipment.

H.R. 5453

Introduced by: Mr. Gibbons
Date: April 12, 1984

To provide the President with the authority to proclaim the duty-free status of certain parts of civil aircraft.

Summary of the Provision

H.R. 5453, if enacted, would give the President the authority to proclaim modifications in the rates of duty for certain articles in trade in civil aircraft.

Section-by-Section Analysis

Section 1 of H.R. 5453 would give the President the authority to proclaim modifications to a number of enumerated items in the Tariff Schedules of the United States (TSUS) in order to provide duty-free coverage comparable to the expanded coverage provided by all other signatories to the Agreement on Trade in Civil Aircraft under a recent GATT agreement to expand such coverage.

Section 2 provides that for purposes of section 125 of the Trade Act of 1974, the duty-free treatment proclaimed under this Act shall be considered to be trade agreement obligations.

Background and Justification

The GATT Agreement on Trade in Civil Aircraft was concluded in 1979, and contains an Annex which enumerates certain aircraft parts for which the signatories agreed to provide duty-free treatment.

Article 8.3 of the Agreement provided that prior to December 31, 1983, negotiations be undertaken by the signatories to, among other things, expand the product coverage of the Annex. Negotiations to accomplish this were concluded last fall and resulted in a list of additional aircraft parts which each of the signatories to the Agreement would afford duty-free status as of January 1, 1985. The proposed legislation would authorize the President to implement the United States' duty reductions under this multilateral agreement. The President would not exercise the tariff authority provided in the proposed legislation until he had determined that Canada, the European Economic Community, and Japan would implement reciprocal duty-free treatment.

Comparison with Present Law

The products proposed for inclusion under the Agreement on Trade in Civil Aircraft and which are covered by this legislation are provided for in various sections of schedules 6 and 7 of the Tariff Schedules of the United States Annotated (TSUSA) and are currently dutiable at specified rates of duty.

Effect on Revenue

The combined average annual loss of customs revenue (estimated) is $17.5 million. This estimate is based on 1982 import levels (the latest year for which data are available) and on staged reduction of the tariff rates in effect during 1985-88.

Consultations with industry officials do not indicate any technical deficiencies in the bill. The U.S. Customs Service does not anticipate any potential problems in the administration of the bill's provisions because of the existence of established procedures regarding the importation of articles under the current provisions of the Agreement on Trade in Civil Aircraft.

Subcommittee Action

Agency Reports

The United States Trade Representative strongly supports enactment of H.R. 5453.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5453 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 5453

Administration

U.S. Trade Representive: Strongly supports enactment of H.R. 5453.

H.R. 5751

Introduced by: Mr. Gejdenson
Date: May 30, 1984

To extend for two additional years the suspension of duty on uncompounded allyl resins.

Summary of the Provision

H.R. 5751, if enacted, would amend item 907.16 of the Appendix to the Tariff Schedules of the United States (TSUS) to continue the suspension until September 30, 1986, of the column 1 rate of duty on uncompounded allyl resins, provided for in item 408.96, subpart C of part 1 of schedule 4. The column 2 rate of duty would remain unchanged.

Section-by-Section Analysis

Section 1 of H.R. 5751, if enacted, would amend item 907.16 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting the date September 30, 1986 in lieu of September 30, 1984 in the date cloumn. This would effectively extend the temporary suspension on uncompounded allyl resins for an additional two years until September 30, 1986. Uncompounded allyl resins is provided for in item 408.96, subpart C of part 1 of schedule 4.

Section 2 makes the provision effective after September 30, 1984.

Background and Justification

Allyl resins are a special class of polyester resins derived from esters of allyl alcohol and dibasic acids. The resins are prepolymer and include two compounds of commercial significance, diallyl phthalate and diallyl isophthalate, know by the acronyms DAP and DAIP, respectively.

DAP and DAIP prepolymer resins exhibit excellent electrical properties such as high insulation resistance and low elecrical losses at temperatures in excess of 400° F. Because of these properties, about 75 percent of the DAP and DAIP molding compounds is consumed domestically in the manufacture of high performance electrical/electronic connectors in communications, computer, and aerospace systems. The remaining 25 percent is used in the manufacture of other electrical/electrical parts such as bobbins, switches, and circuit boards.

Although separate production data are not available for DAP and DAIP prepolymer resins since Cosmic Plastics Inc. is the only domestic producer, industry sources estimate that the domestic output of DAP and DAIP prepolymer resins probably did not exceed 5 million pounds nor $4 million annually during 1979-83.

The DAP prepolymer resins reportedly represented 70 percent or better of the aggregated annual volume and value of production during 1978-83.

Imports statistics for the allyl prepolymer resins and allyl molding compounds covered here by item 408.96 did not become separately available until January 1, 1978, and are shown below for 1979-83:

Year	Quantity (1,000 pounds)	Value (1,000 dollars)
1979	1,716	2,486
1980	2,062	2,952
1981	2,321	2,948
1982	1,641	2,574
1983	1,889	2,818

For the period January through April 1984, these imports amounted to 657,458 pounds, valued at $1,045,329, or at an annualized rate in excess of 2.0 million pounds, valued at about $3.1 million. These statistics include data not only for DAP and DAIP prepolymer resins but also for DAP and DAIP molding compounds.

Some of these allyl molding compounds imports are replacing previous U.S. production which used the allyl prepolymer resins made by FMC. Japan was the principal source of the above imports.

There are five domestic producers of DAP and DAIP molding compounds and they now import the prepolymer resins.

Official export statistics for allyl prepolymer resins and allyl molding compounds are not separately available. However, industry sources estimate that annual exports of DAP and DAIP prepolymer resins were probably less than 400,000 pounds per year during 1979-83, while an additional 100,000 to 300,000 pounds of these resins have been exported annually during this period in the form of molding compounds. Western Europe reportedly was the principal market for all of these exports. FMC was the chief exporter of the DAP and DAIP prepolymer resins, while the aforementioned producers of the allyl molding compounds were the leading exporters of these materials.

Industry sources estimate that 1979-83, domestic consumption of DAP and DAIP prepolymer resins annually exceeded domestic production by more than 50 percent. Imports have accounted for most of domestic consumption since 1980.

These sources estimate that domestic consumption of DAP and DAIP prepolymer resins amounted to less than 4.5 million pounds during 1979-83. Competition from newer resins for the electrical/electronic market was reported to be the reason for the early no-growth situation, and the economic downturn, for the drip in 1980-82. Continued competition from newer resins limited the recovery of these products when economic conditions improved in 1983.

Comparison with Present Law

The column 1 rate of duty applicable to imports of allyl prepolymer resins and allyl molding compounds covered by TSUS item 408.96 is 7.4 percent ad vlorem. This rate represents the fifth of eight annual reductions, the first of which was effective July 1, 1980. These staged duty modifications, negotiated under the Tokyo Round of Mulitlateral Trade Negotiations (MTN), are shown in the following tabulation:

Year	Rate of duty effective with respect to articles entered on or after Jan 1.
1980 ----------	0.7 cents/lb. + 9%
1981 ----------	9%
1982 ----------	8.4%
1983 ----------	7.9%
1984 ----------	7.4%
1985 ----------	6.9%
1986 ----------	6.3%
1987 ----------	5.8%

The column 2 rate of duty is 7 cents per pound plus 5 percent ad valorem and the LDDC rate is 5.8 percent ad valorem. Allyl prepolymer resins and allyl molding compounds imported from all beneficiary developing countries are eligible for duty-free entry under the Generalized System of Preferences (GSP). In addition, such imported articles if the product of designated beneficiary countries under the Caribbean Basin Initative (CBI) are also eligible for duty-free entry.

Effects on Revenue

Based on 1983 import data, the calculated duty for item 408.96 was $97,076. However, for the first 4 months of 1984, this figure was $5,523, down 88 percent, as compared with $47,256 for the corresponding period a year earlier. The drastic reduction is the result of the entry of materials free of duty because of the duty-free treatment current duty suspension,

and because Cosmic Plastics Inc. began supplying a substantial portion of the DIAP market with domestially produced material beginning in 1984.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 5751.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5751 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

Senate Action

A companion bill (S. 2739) was introduced by Senator Dodd.

SUMMARY OF TESTIMONY ON H.R. 5751

Administration

Department of Commerce: No objection to enactment of H.R. 5751.

Public Witnesses

Oral Testimony

Supports

The Honorable Sam Gejdenson, M.C. (Conn.): Suspension of duty on uncompounded allyl resins would not affect any domestic producers and ultimately save the taxpayers money.

H.R. 5783

Introduced by: Ms. Kaptur
Date: June 6, 1984

To suspend for a 3-year the duty on certain metal umbrella frames.

Summary of the Provision

H.R. 5783, if enacted, would suspend until September 30, 1985, the duty on frames for hand-held umbrellas chiefly used for protection against rain.

Section-by-Section Analysis

Section 1 of H.R. 5783, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence a new item 912.45 to suspend until September 30, 1985 the duty on frames for hand-held umbrellas chiefly used for protection against rain, provided for in item 751.20, part 8B, schedule 7.

Section 2 makes the provision effective on or after the 15th day after the date of enactment of this Act.

Background and Justification

Umbrella frames and skeletons of metal are presently classified under TSUSA item 751.2020. This item is eligible for GSP treatment, except for Taiwan which was excluded effective April 1, 1984.

Umbrella frames and skeletons are made principally from metal and consist of a radiating frame which collapes around a central supporting shaft. Additional material, usually of some fabric, paper or plastic is attached to the frame to form a completed umbrella which is chiefly used as a device for protection against the weather.

U.S. imports of frames fo metal for hand-held umbrellas are estimated by the U.S. Customs Service to comprise approximately 97 percent of the imports under TSUSA item 751.2020. Imports of frames for hand-held rain umbrellas increased erractically, both in terms of quantity and value for the period 1979-83. In terms of quantity, imports increased from approximately 620,000 units to over 1 million units, while in value, imports increased from an estimated $428,000 to $1.9 million (table 2).

There are not believed to be any exports of frames for hand-held umbrellas of metal.

Apparent U.S. comsumption of frames for hand-held umbrellas of metal increased, form 620,000 units to over 1 million units in terms of quantity, and from $428,000 to nearly $1.9 million in value (table 2). The ratio of imports to consumption was approximately 100 percent for all years considered, both in terms of quantity and value.

Comparison with Present Law

Umbrella frames and skeletons of metal are classified in TSUS item 751.20. The table below shows the column 1 rate of duty in effect prior to the Tokyo round of Multilateral Trade Negotiations, the staged reductions in the column 1 rate, and the column 2 rate of duty applicable to the subject frames. Imports from least developed developing countries (LDDC's) are dutiable at 12 percent ad valorem, the final stage of the duty reductions which will become effective on an MFN basis on January 1, 1985.

Imports from designated beneficiary developing countries under this tariff item are eligible for duty-free entry under the Generalized System of Preferences (GSP), except for those from Taiwan (which was excluded effective April 1, 1984, due to the so-called competitive need limitations). In addition, imports from designated beneficiary developing countries are eligible for duty-free entry under the Caribbean Basin Initiative (CBI).

Umbrella frames and skeltons of metal: U.S. rates of duty

(Percent ad valorem)

TSUS item	Description	Pre-MTN col. 1 rate/1	Staged col. 1 rates of duty effective with respect to articles entered on or Jan. 1.			
			1980	1981	1982	1983
751.20	Umbrella frames and skeletons of metal	30%	27%	24%	21%	18%

			Staged col. 1 rates of duty effective with respect to articles entered on or after Jan 1. (continued)			
		1984	1985	1986	1987	Col. 2 rate of duty
	Umbrella frames and skeltons of metal	15%	12%	12%	12%	60%

/1 Rate effective prior to Jan. 1, 1980.

Effect of Revenue

Based on estimated 1983 imports of $1.9 million, a decrease in the rate of duty from 15 percent ad valorem to free would result in an annual loss to U.S. Custom's revenues of approximately $285,000.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 5783, provided the suspension is for a one-year period.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5783 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment reducing the effective period of the new provision from three years to one year and providing a date certain for its termination.

SUMMARY OF TESTIMONY ON H.R. 5783

Administration

Department of Commerce: No objection to enactment of H.R. 5783 provided suspension is for a one-year period.

Public Witnesses

Oral Testimony

Supports

The Honorable Marcy Kaptur, M.C. (Ohio): There are no domestic manufacturers of hand-held rain umbrella frames. The duty on such frames only hurts the hardpressed domestic rain umbrella manufacturers.

Statements for the Record

Supports

Almet/Lawnlite; California Umbrella; Finkel Outdoor Products Co.; Keller Industries: These companies do not object to duty-free treatment of metal frames for hand-held rain umbrellas.

PART B

H.R. 2776

Introduced by: Mr. Ratchford (CN)
Date: April 27, 1983

Relating to the tariff treatment of gut imported for use in the manufacture of surgical sutures.

Summary of the Provision

H.R. 2776, if enacted, would create two new items in the Tariff Schedules of the United States (TSUS) which would apply to gut imported for use in the manufacture of surgical sutures and an "other" category, respectively.

Section-by-Section Analysis

Section 1 of H.R. 2776, if enacted, would amend subpart C of part 13 of schedule 7 of the Tariff Schedules of the United States (19 U.S.C. 1202) by striking out item 792.22 and creating two new separate items, 792.24 and 792.26, which would apply to gut imported for use in the manufacture of surgical sutures and an "other" category, respectively. The column 1 MFN duty rate will be 6% ad valorem and 11.2% ad valorem, respectively, with the 6% rate being equivalent to the rate for other surgical sutures provided for under item 495.10 of the TSUS. The provision is intended to include both raw gut in uncut lengths suitable for use in surgical sutures and nonsterile and unfinished gut sutures.

Section 1(b)(1) would apply those staged rate reductions to item 792.24 which are applicable to item 495.10 as provided for under the Tokyo round of negotiations and would result in a duty rate of 3.5% effective January 1, 1987.

Section 1(b)(2) would provide for the deletion of the LDDC rate when the column 1 rate is reduced to a point at or below the rate of duty in the LDDC column.

Section 1(c) would provide for staged rate reductions for new item 792.26 as previously provided for under existing item 792.22.

Section 2 provides that the effective date of the provision would be on or after the 15th day after the date of the enactment of this Act.

Background and Justification

The products covered by the proposed legislation consist of the raw material for sterile gut sutures and unfinished nonsterile sutures made from catgut. Catgut is a thin, tough, cord- or thread-like material made by twisting, drying, and processing one or more

strands of tissue from the intestines of sheep, cattle, and hogs (but not cats). Such raw catgut is classified in item 190.25. Catgut is used in the manufacture of surgical sutures; strings for tennis rackets, other sports rackets, and musical instruments; and fishing tackle. Catgut used for surgical sutures is subject to more stringent quality standards than that used for other purposes. Raw catgut is generally sold in coils of varying lengths. When used in the manufacture of sutures, the gut is cut to the appropriate length and a needle is added, resulting in a nonsterile suture, classified in item 792.22. If sterilized and sterile-packed in inner and outer packages prior to importation, the suture would be classified in item 495.10. Catgut's chief advantage as a suture is that it can be absorbed by the body and, as such, is useful in certain internal operations. However, catgut sutures have been substantially replaced for surgical purposes by less expensive absorbable sutures of manmade materials; those of catgut now enjoy limited use, often due to the preference of the operating physician.

There is no known domestic production of surgical-quality raw catgut. Production of sterile sutures of all materials is estimated at $50 million annually; however, gut sutures comprise only a minor part of this production.

The value of imports of both raw gut covered under TSUS item 190.25 and miscellaneous articles of gut covered under TSUS item 792.22 fluctuated widely during 1972-82 but remained relatively low.

U.S. Imports of Gut and Articles of Gut
(Thousands of Dollars)

	1978	1979	1980	1981	1982
Catgut, whipgut, & Oriental gut (TSUS item 190.25	522	500	339	17	80
Articles of gut n.s.p.f. (TSUS item 792.22	131	8	6	70	41
TOTAL	653	508	345	87	121

Italy, Australia, and West Germany were the most frequent suppliers of raw gut over the period. However, not all imports shown in the above table consisted of gut suitable for use in sutures; also included were imports of gut for racket and musical instrument strings and for fishing tackle.

Australia and West Germany were the most significant sources of articles of gut, not specially provided for (n.s.p.f.), during 1978-82; and nearly all these imports consisted of lengths of gut

cut for use in sutures and of nonsterile gut sutures. There were no column 2 imports of any of the subject articles during the period.

The two largest U.S. producers of gut sutures, Ethicon and Davis & Geck, are the primary importers of these articles.

Comparison with Present Law

Raw catgut, uncut and sold in coils, is dutiable under TSUS item 190.25 at a column 1 rate of 12.4% ad valorem, an LDDC rate or 7.7% ad valorem, and a column 2 rate of 40% ad valorem. Gut that has been cut to suture length and nonsterile gut sutures, also covered by the proposed legislation, are dutiable as articles of gut under TSUS item 792.22 at the same rates as raw catgut. The duty rates for both items are eligible for staged rate reductions in column 1 rates of duty as provided for in the Tokyo round of the MTN and will be reduced to 7.7% effective January 1, 1987. Both of the items which cover these categories are also eligible for duty-free treatment under the Generalized System of Preferences (GSP).

Effect on Revenue

If enacted, the legislation would likely result in an annual loss of customs revenue of less than $5,000.

Subcommittee Action

Agency Reports

The Department of Commerce has no objection to enactment of H.R. 2776.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 2776 favorably reported to the full Committee on Ways and Means by voice vote, with several technical amendments, including amending the column 1 rates of duty to properly reflect the current stage of duty reductions for these items and conforming the effective date to 15 days after the date of enactment.

Senate Action

A companion bill, S. 1265, has been introduced in the Senate.

SUMMARY OF TESTIMONY ON H.R. 2776

Administration

Department of Commerce: No objection to enactment of H.R. 2776.

Statements for the Record

Supports

The Honorable William R. Ratchford, M.C. (Conn.): The reclassification of unsterilized catgut will allow for a new sterilization process which would increase the tensile strength to be performed upon completion of the manufacturing process.

Opposes

American Farm Bureau Federation: H.R. 2776 unilaterally reduces duty rates on products entered into the United States without obtaining a counter concession from our trading partners.

H.R. 4482

Introduced by: Mr. Archer
Date: November 18, 1983

To amend the Tariff Schedules of the United States with respect to the classification of certain diamond articles.

Summary of the Provision

H.R. 4482, if enacted, would temporarily suspend the rate of duty for tool blanks and drill blanks, wholly or in chief value of industrial diamonds.

Section-by-Section Analysis

Section 1 of H.R. 4482, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting in numerical sequence the new item 910.00, temporarily suspending the column 1 rate of duty for tool blanks and drill blanks, wholly or in chief value of industrial diamonds (provided for in items 523.91 or 520.21, schedule 5). The column 2 rate of duty would remain unchanged.

Section 2 would make this provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

Tool and drill blanks are made of randomly-oriented synthetic industrial diamond crystals which are bonded together by a high pressure, high temperature process, usually to a tungsten carbide substrate. The process used to produce the domestic and imported blanks and the physical and quality characteristics of the two categories are very similar. In the trade, these industrial tool and drill blanks are known as polycrystalline diamond compact, or PDC, blanks.

The main use of PDC blanks is in the manufacture of drill bits for oil, gas, and mineral exploration and for other mining applications. They are also used in tool bits for the machining of such materials as non-ferrous metals and alloys, ceramics, fiberglass, carbon-fiber composites, chipboard, and fiber board.

There are four U.S. producers of tool blanks and drill blanks, wholly or in chief value of industrial diamonds (PDC blanks). They are: General Electric Company, Specialty Materials Department, Worthington, Ohio; Valdiamont Corp., Ann Arbor, Michigan; Megadiamond Corp., Provo, Utah; and U.S. Synthetic Corp., Orem, Utah.

General Electric Company is the largest producer of PDC blanks in the United States. Total U.S. industry employment figures are not known, but it is estimated that between 300 and 600 workers are involved in the production of PDC blanks. The majority of workers in the U.S. industry are employed by the General Electric Company.

Domestic production of PDC blanks is not available. Over 85 percent of U.S. producer shipments are accounted for by the General Electric Company; publication of production figures may reveal confidential business information. It is known that domestic sales have increased by about 85 percent in the period 1980-83.

Because imports of PDC blanks are classified in a residual or "basket" provision, precise data are not known. It is believed that imports began in 1981, mainly from Ireland and with small shipments from Japan. No imports are believed to have come from column 2 sources.

Presently, there are five importers of PDC blanks, as follows: The General Electric Company, Worthington, Ohio; Van Itallie Inc., Saddle Brook, New Jersey; Diamond Abrasive Corporation, New York, New York; Amco Diamond Abrasive Corporation, New York, New York; and Sumitomo Electric U.S.A. Inc., New York, New York. The first four companies all import PDC blanks from Ireland, while the last firm imports these articles from Japan.

It is believed that the General Electric Company accounts for about 99 percent of all PDC blanks exported from the United States. No figures are available, but it is estimated that exports during the period 1981-83 have averaged about $31.5 million annually.

Apparent consumption of PDC blanks cannot be specified, since few data are available. Based on trade information, it is believed that during 1980-1983 U.S. consumption increased by about 150 percent. The acceptance of PDC blanks by the oil, gas, and mineral drilling industry in the beginning of the 1980's was a major market breakthrough. The bulk of all sales are to the exploration industry, and it is estimated that U.S. consumers receive their shipments from the following sources:

Domestic General Electric Sales	33%
Imports from General Electric Irish Plant	48%
All other imports	15%
All other U.S. producers	4%
Total	100%

H.R. 4482
Page Three

Comparison with Present Law

The tariff treatment of the subject products is set forth in the following table. No such articles are currently known to be classified in TSUS item 520.21; however, industry sources have sought a ruling from the Customs Service concerning articles wholly of industrial diamonds arguably covered by that item which are now being developed.

As shown by the table, imports from least developed developing countries (LDDC's) are dutiable at preferential rates of 3 percent ad valorem (item 520.21) and 4.9 percent (523.91). Imports from beneficiary countries under item 523.91 are eligible for duty-free entry under the Generalized System of Preferences (GSP); imports from designated beneficiaries under both items are eligible for duty-free entry under the Caribbean Basin Initiative (CBI).

Tool blanks and drill bits, wholly or in chief value of diamond: U.S. rates of duty, by TSUS items

(Percent ad valorem)

TSUS item No. 1/	Description (Abridged)	Pre MTN col. 1 rate of duty 2/	Staged col. 1 rates of duty effective with respect to articles entered on or after Jan. 1--				Col. 2 rate of duty
			1984	1985	1986	1987	
	Industrial diamonds, natural or synthetic, whether or not advanced in condition or value from their crude state by cleaning, cutting, lapping, sawing or other process, but not set and not suitable for use in the manufacture of jewelry:						
520.21	Synthetic n.s.p.f.----------	7.5%	4.7%	4.1%	3.6%	3%	30%
	Mineral substances, and articles of mineral substances, not specially provided for:						
	Other:						
523.91A	Not decorated----------	7.5%	6.0%	5.6%	5.2%	4.9%	30%

1/ The designation "A" indicates that the item is currently designated as an eligible article for duty-free treatment under the U.S. Generalized System of Preference (GSP) and that all beneficiary developing countries are eligible for the GSP.
2/ Rate effective prior to Jan. 1, 1980.

Effect on Revenue

Based on anticipated 1984 imports and the applicable rates of duty, it is estimated that this legislation would result in a loss of customs revenues of approximately $2 million, considering only imports under item 523.91.

Subcommittee Action

Agency Reports

The Department of Commerce opposes enactment of H.R. 4482.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4482 favorably reported to the full Committee on Ways and Means by voice vote, without amendment.

SUMMARY OF TESTIMONY ON H.R. 4482

Administration

Department of Commerce: Commerce opposes unlateral tariff reductions which do not enhance the overall competitiveness of U.S. producers in domestic and foreign markets. Enactment could affect the competitive posture of U.S. producers without providing new opportunities for U.S. exports.

Statements for the Record

Supports

General Electric Company: This bill would suspend the duty on imported polycrystalline diamond compact (PDC) tool blanks and drill blanks. The use of PDC blanks has resulted in cost reduction and higher productivity in drilling by allowing the oil or gas explorer to drill longer and faster than is possible with exploration bits of traditional design.

H.R. 4825

Introduced by: Mr. Conable (NY)
Date: February 9, 1984

To provide for a temporary reduction in duty on imported fresh or chilled brussels sprouts.

Summary of the Provision

H.R. 4825, if enacted, would provide for a temporary reduction of duty on fresh or chilled brussels sprouts, but not reduced in size and not otherwise prepared or preserved until December 30, 1987.

Section-by-Section Analysis

H.R. 4825, if enacted, would provide for a temporary reduction in the column 1 rate of duty on fresh or chilled Brussels sprouts, whether or not cut, sliced, or otherwise reduced in size, but not otherwise prepared or preserved. These vegetables are currently classified in two items of the Tariff Schedules of the United States (TSUS). Brussels sprouts which are fresh, chilled, or frozen, but not reduced in size nor otherwise prepared or preserved, are classified in TSUS item 137.71, dutiable at a column 1 rate of 25 percent ad valorem. Brussels sprouts which are fresh, chilled, or frozen, and also cut, sliced, or otherwise reduced in size (but not otherwise prepared or preserved) are classified in TSUS item 138.46, dutiable at a column 1 rate of 17.5 percent ad valorem.

The legislation would create two new tariff items 903.30 and 903.31 in subpart B, part 1 of the Appendix to the TSUS. The first, providing for those Brussels sprouts which are covered by TSUS item 137.71, would impose a column 1 duty rate of 12.5 percent ad valorem on Brussels sprouts, fresh or chilled, but not reduced in size and not otherwise prepared or preserved. The second, covering the Brussels sprouts classified in TSUS item 138.46, would assess a column 1 duty rate of 7 percent ad valorem on Brussels sprouts, fresh or chilled, and cut, sliced or otherwise reduced in size, but not otherwise prepared or preserved. The legislation would have no effect on the column 2 rates of duty. This temporary duty reduction would apply to imports entered, or withdrawn from warehouse for consumption, on or after the 15th day of the enactment of this Act.

Background and Justification

Brussels sprouts are the heads of the Brussels sprout plant (Brassica oleracea, var. gemmifera), a cool-season biennial variety of cabbage, having many miniature heads formed along the stem at the base of leaves (rather than one large head formed at

the top of a short stem). Some growers prefer them to other vegetables because of their adaptability to the fall and winter growing season and their hardiness to cold weather. Because their cultural requirements are similar to other important members of the same plant family, such as cabbage, broccoli, and cauliflower, Brussels sprouts are usually grown along with these vegetables, often on the same farms.

In recent years, increasing quantities of Brussels sprouts have gone to processing, mainly freezing; they are considered very perishable and must be refrigerated or processed immediately after harvesting. Thus, Brussels sprouts are used primarily in some processed form, including boiled, baked, or steamed--often as a side dish with meats or in soups, casseroles, and sauces. Brussels sprouts are a very nutritious cooked vegetable, low in calories, high in fiber, and rich in vitamins and minerals.

Most of the Brussels sprouts intended for fresh market or for processing are grown in central California, especially the Monterey and Santa Cruz-San Mateo coastal areas; limited production also takes place in New York, Michigan, and Minnesota. In recent years, an estimated 85 growers harvested this vegetable from about 5,500 acres. The number of farms in Brussels sprouts production has declined in recent years, but the planted acreage on the remaining farms has remained about the same. The amount of land devoted to Brussels sprouts on each of these farms averages about 100 acres.

During 1979-83, domestic production of Brussels sprouts fell 16 percent, from 77.0 million pounds valued at $15.9 million in 1979, to an estimated 64.9 million pounds valued at $15.6 million in 1983. In recent years, virtually all domestic production of Brussels sprouts for fresh market and processing was in California. Most of this production was during September-February.

U.S. imports of fresh, chilled, or frozen Brussels sprouts under TSUS item 137.71 rose 69 percent, from 7.5 million pounds in 1979 to 12.7 million pounds in 1983; the value of imports in 1983 was $3.8 million. Fresh or chilled Brussels sprouts accounted for about two-thirds of the total, while the remainder consisted of the frozen vegetable. Mexico is historically the leading foreign supplier of Brussels sprouts, accounting for over 90 percent of the imports during 1979-82 before declining to 66 percent in 1983. Mexico supplies virtually all imports of fresh or chilled Brussels sprouts. Imports of frozen Brussels sprouts, especially from Guatemala and Canada, have risen in recent years; those two suppliers accounted for 46 percent and 21 percent, respectively, of total imports of the frozen product (by quantity) in 1983.

U.S. imports of Brussels sprouts, fresh, chilled, or frozen, and cut, sliced, or otherwise reduced in size (but not otherwise prepared or preserved), classified under TSUS item 138.46 are believed to be negligible or nil. Precise data is not available, since this tariff item is a residual provision covering many vegetables.

During 1979-83, annual U.S. exports of fresh or chilled Brussels sprouts averaged 3.6 million pounds valued at $943,000. Virtually all exports went to Canada. Exports of frozen Brussels sprouts are believed negligible or nil.

Apparent U.S. consumption of Brussels sprouts tended to decline during 1979-83, falling from 82.3 million pounds to 75.4 million pounds. Brussels sprouts are a relatively minor vegetable in the American diet. The ratio of imports to consumption rose from 9 percent in 1979 to 17 percent in 1982 and 1983, reflecting both the drop in domestic output and the increase in imports.

Comparison with Present Law

The U.S. rates of duty applicable to fresh, chilled, or frozen Brussels sprouts are as follows:

TSUS Item No.	Description	Rates of Duty Col. 1	Col. 2
	Vegetables, fresh, chilled, or frozen (but not reduced in size nor otherwise prepared or preserved):		
	Other:		
137.71	Brussels sprouts	25% ad val.	50% ad val.
	Vegetables, fresh, chilled, or frozen, and cut, sliced, or otherwise reduced in size (but not otherwise prepared or preserved):		
138.46	Other	17.5% ad val	35% ad val.

The column 1 rates of duty were not the subject of a concession in the Tokyo round of the Multilateral Trade Negotiations. Thus, no duty reductions are scheduled and no preferential least developed developing countries (LDDC) rate of duty is provided. Articles imported under TSUS item 137.71, except those from Mexico, are eligible for duty-free treatment under the GSP. Brussels sprouts covered by both tariff items and imported from designated beneficiary countries are eligible for duty-free entry under the Caribbean Basin Initiative (CBI).

Effect on Revenue

The enactment of this legislation would result in a loss of customs revenues. Based on the dutiable value of imports under TSUS item 137.71 in 1983 (which does not include GSP imports), the estimated annual revenue loss would amount to $359,000. If duty-free treatment under the GSP had not been available, the estimated loss as to all imports under item 137.71 would have been about $472,000. (As indicated earlier, imports of Brussels sprouts under TSUS item 138.46 are believed negligible or nil.)

Subcommittee Action

Agency Reports

The Department of Agriculture opposes enactment of H.R. 4825.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4825 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment deleting frozen Brussels sprouts from the coverage of the proposed new provisions and conforming the effective date to 15 days after the date of enactment.

SUMMARY OF TESTIMONY ON H.R. 4825

Administration

Department of Agriculture: Opposes enactment of H.R. 4825.

The Department of Agriculture see no reason to extend reduced duty treatment on a GSP eligible item to countries that either exceed the GSP competitive need limitation or are ineligible for the GSP program. The Department would prefer to grant such treatment only in return for negotiated concessions on the part of other countries.

H.R. 3159

Introduced by: Mr. Gibbons (FL)
Date: May 26, 1983

To require that customs duties determined to be due upon liquidation or reliquidation are due upon that date, and for other purposes.

Summary of the Provision

H.R. 3159, if enacted, would provide that additional duties determined by Customs to be owed to the Government are due 15 days after date of liquidation or reliquidation. It also provides for the assessment of interest on duties which are not paid within 30 days after that date, and further provides interest to be paid by the Government for duties collected which are required to be subsequently reduced.

Section-by-Section Analysis

Section 1 of H.R. 3159, if enacted, would amend section 505 of the Tariff Act of 1930 (19 U.S.C. 1505) by adding a new paragraph which would prescribe the due date of liquidation or reliquidation of duties to be 15 days after the date of liquidation or reliquidation and, if not paid within 30 days after that date, interest would be assessed from the 15th day after the date of liquidation or reliquidation at a rate determined by the Secretary of the Treasury. Further, this section would be effective thirty days after enactment and any pending duties would be due thirty days following enactment.

Section 2 would amend section 520 of the Tariff Act of 1930 (19 U.S.C. 1520) by adding a new paragraph which would provide for interest to be paid by the government if a determination is made to reliquidate an entry as a result of a protest filed under section 514 of the Act or if an application for relief is made under subsection (C)(1) of Section 520 of the Tariff Act of 1930 or if reliquidation is ordered by an appropriate court. Interest would be paid on the amount of overcharge at a rate to be determined by the Secretary of the Treasury and determined as of the 15th day after the date of liquidation or reliquidation. Interest would be calculated from the date of payment to the date of refund or the filing of a summons under 2632 of title 28, United States Code, whichever occurs first.

The amendment would be effective on or after the 15th day after the date of enactment of the Act.

Background and Justification

Currently, a deposit of the estimated duties owed must be made at the time of entry of merchandise, other than entry into warehouse, for transportation, or under bond. If it is determined that additional or increased duties are due, the appropriate customs officer must collect them. If any excess duties are being refunded, no interest is payable thereon. No time limits are fixed for the payment of additional or increased duties, and no interest on such amounts owed can be assessed. The increased duties need not be paid on liquidation and need not be deposited in order to protest their assessment before the Customs Service; they must be paid prior to filing a civil action in the Court of International Trade, or the expiration of the time for filing such an action (180 days).

The procedures for collecting duties beyond the deposited amount and for refunding excess duties paid are as follows:

A notice of any additional or increased duties being assessed must be sent to the importer of record or to the actual owner of the imported merchandise. Regulations of the U.S. Customs Service provide procedures for the refunds of excess duties collected. 19 CFR Sec. 24.36. Separate application to the assistant regional commissioner of the pertinent internal revenue region must be made for refunds of excess internal revenue taxes paid.

Finally, regulations require that notice of liquidation of formal entries be given by bulletin notice and provide for notice of liquidation of other entries including entries liquidated by operation of law. 19 CFR Sections 159.9-159.10. While courtesy notices of the liquidation of certain entries may be sent to importers or their agents, the actual bulletin notices are posted in the various customhouses, each notice covering entries filed at that customs port of entry or station. Thus, an importer or other person must check the bulletin notices regularly to ascertain whether entries have been liquidated and the dates of such liquidation if a refund is due, but a bill for any additional or increased duties owed will be sent.

This legislation is strongly supported by U.S. Customs and the U.S. Treasury.

Until February 18, 1982, the United States Customs Service had based its debt collection responsibilities upon the proposition that "[a] bill for duties, taxes, or other charges is due and payable upon receipt thereof by the debtor" (19 CFR 24.3(e)). However, on February 18, 1982, the United States Court of Customs and Patent Appeals upheld a decision of the Court of International

Trade in the case of United States v. Heraeus-Amersil, Inc., 671 F.2d 1356. The decision provides that increased or additional duties determined to be due on liquidation or reliquidation are not due and payable by the importer until either the protest period has expired without a protest being filed (90 days after liquidation or reliquidation), or where a protest has been filed and denied, the time to appeal to the Court of International Trade under 28 U.S.C. 1581(a) has expired (180 days after denial). Thus, in the latter situation, collection efforts cannot be initiated for a minimum of 270 days.

The effect of the proposed legislation would be to allow Customs to take immediate steps to collect monies determined to be due and payable to the United States. If the duties were not paid within the time allotted by this bill, then the importers would be assessed interest in accordance with section 306 of Public Law 96-304 and regulations to be promulgated by the Customs Service.

Without legislation to overturn the Heraeus decision and with the current high interest rates prevailing throughout the country, we would anticipate that any normal business entity, legally able to delay payment of large sums of money without interest, would take advantage of that opportunity.

The second part of this legislation recognizes the inherent fairness of a reciprocity of payment of interest when the importer has been able to sustain his position in an appropriate forum. It is similar to but, as regards increased or additional duties, goes beyond 28 U.S.C. 2644 which allows interest to be paid to a successful plaintiff in the Court of International Trade but only from the date of filing of the summons, regardless of the date of payment. The rate of interest to be paid will be that applicable to a late payment of the particular entry.

For purposes of this legislation, liquidation shall be defined as the final computation or ascertainment of the duties or drawback occurring on an entry (19 CFR 159.1).

Comparison with Present Law

As discussed above, the U.S. Customs Service has continually based its debt collection responsibilities upon the proposition that "[a] bill for duties, taxes, or other charges is due and payable upon receipt thereof by the debtor." (19 CRF 24.3(e)). The decision by the U.S. Court of Customs and Patent Appeals has determined that increased or additional duties determined to be due on liquidation or reliquidation are not due and payable by

the importer until either the protest period has expired without a protest being filed or where a protest has been filed and denied, the time to appeal to the Court of International Trade under 28 U.S.C. 1581(a) has expired.

Effect on Revenue

The precise impact of this legislation cannot be determined due to the difficulty in determining the amount of increased duties to be expected in any given year, the rate of payment and the level of protest that may be experienced under the present law. However, from the discussion above and the trend which Customs is now seeing in protest levels and payment rates, the revenue gain and savings in administrative costs would be significant. An order of magnitude savings of $25-$50 million in otherwise lost imputed interest and administrative costs could be realized.

Subcommittee Action

Agency Reports

The U.S. Department of the Treasury (Customs Service) supports enactment of H.R. 3159.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3159 favorably reported to the full Committee on Ways and Means by voice vote, with several amendments to address the concerns raised by groups opposing the legislation. As amended, additional duties would be due 15 days after liquidation or reliquidation and be considered delinquent and subject to interest 30 days thereafter. The rate of interest to be assessed should be determined in the same manner as the Secretary of the Treasury currently determines the rates of interest applicable to underpayments and overpayments of income taxes pursuant to 26 U.S.C. 6622 with the rate based on the prime interest rate charged by banks and with provision for adjustment of the rate on March 31 or September 30 of each year.

The provision providing for retroactive application of the bill has been deleted and the Subcommittee has directed that the following language be included in the report accompanying this bill:

"Customs will take no disciplinary action against importers solely on the grounds of failure to pay increased or additional duties on liquidation or reliquidation until a decision is reached on a protest filed under section 514."

SUMMARY OF TESTIMONY ON H.R. 3159

Administration

Department of Treasury (Customs Service): Supports enactment of H.R. 3159.

The court case United States v. Hereaus-Amersil Inc. severely impacted the ability of Customs to collect duties owed the United States. The bill has (1) vastly increased the number of protests filed under section 514 of the Tariff Act of 1930, as amended; (2) hampered Customs' ability to respond to protests; (3) increased the number of Customs decisions being contested judicially pursuant to 28 U.S.C. 1581; and (4) severely delayed Customs authority to collect outstanding duties owed to the Government. This bill would help Customs overcome these limitations.

Public Witnesses

Oral Testimony

Supports

C.A. Shea and Company, Inc. and The Kemper Group: The bill would restore order and fairness to the Customs Bond System. The only exception is that a 25-day period for customs bill to be paid before the tolling of interest is too short of time and should be at least 45 days.

Opposes

The Customs and International Trade Bar Association: The CITBA position is summarized as follows:

(1) Opposes section 1(a) which would make increased duties due upon liquidation or reliquidation. Proposes, as an alternative, that duties should not be due until after Customs has rendered a final decision on a protest, or the protest period has expired.

(2) Recommends that it be made clear that any amount assessed as interest as a result of late payment of increased duties is to be included in any amount returned to the importer if duties are eventually refunded.

(3) Opposes the retroactive effect provided for in section 1(b) and proposes that the law should apply with respect to entries made on or after the effective date.

(4) Supports section 2(a) which provides for the payment of interest on any repayment of increased duties. Proposes, also, that interest should be paid on refunds of duty deposits.

(5) The concerns raised by the Customs Service as a result of the Heraeus decision will be eliminated under the CITBA proposal.

The Joint Industry Group: H.R. 3159 should not be enacted because it would reverse the decision of the court to perm[illegible] delayed payments of supplemental customs duties assessed on liquidation of entries.

Statements for the Record

Supports

The Surety Association of America: The payment delays permitted as a direct result of Heraeus-Amersil hamper any surety efforts to insure that the importers pay their duties in a timely fashion. By imposing interest upon unpaid Customs bills, it will no longer be advantageous for importers to file frivolous protests of increased duties assessed at liquidation. One exception, the Surety Association would prefer a 45-day time frame for Customs bills to be paid before the tolling of interest as opposed to the 25 days now stipulated in the proposed bill.

The Surety Association of America: This bill would deter the number of protests of increased duties assessed at liquidation. The delay in payment resulting from Heraeus-Amersil has hampered efforts to insure that importers pay the duties which they owe in a timely fashion. One exception is that a 25-day period for Customs bills to be paid before the tolling of interest is too short of time and should be at least 45 days.

The American Iron and Steel Institute: The AISI strongly supports H.R. 3159 as an urgently needed revision in Customs law and procedures.

Opposes

American Bar Association Standing Committee on Customs Law: The Association position is summarized as follows:

(1) Opposes the provisions of section 1(a) of H.R. 3159 which would make increased duties due upon liquidation or reliquidation and payable within 25 days thereafter.

(2) Alternatively, would not oppose a provision which would make increased duties due and payable within 30 days after the date of final decision on a protest or after the protest period has expired without a protest having been filed. Such a provision would advance payment by 150 days over that now allowed under Heraeus.

(3) Recommends that any amount assessed as interest by reason of late payment of increased duties be refunded to the importer or payee as a part of any amount returned if duties are eventually refunded.

(4) Opposes the retroactive effect of the provision for payment of interest in liquidations and reliquidations made after enactment and before the effective date of the Act in section 1(b) of H.R. 3159, and recommends instead that the provisions be made applicable only to entries made on or after the effective date of the enactment, a provision which is ordinarily and routinely included in legislative provisions governing importations of merchandise.

(5) Supports the provisions of section 2(a) for the payment by the Government of interest on any repayment of increased duties, and recommends also that interest be paid on refunds of duty deposited against the original entry.

(6) Recognizes, and urges the Congress to recognize, that Customs, not the importer, should be responsible for any delays in the adminsitrative process once a protest has been duly filed and that interest should not accrue during the period of any such delay.

(7) Opposes any requirement for payment of increased duties before the administrative process has been exhausted.

(8) Recommends that the legislative history of the bill include a suggestion that Customs discontinue its present practice of holding protests without action for the full statutory period of 90 days allowed for filing a protest after liquidation or reliquidation in anticipation of the filing of an amended or a second protest, an action which occurs only infrequently, to the best of their knowledge and belief. An amendment to the language of H.R. 3159 to accomplish the desired result is not being proposed in order to avoid affecting adversely the rights of the protestant to amend his...

New York County Lawyers Association Committee on Customs Law: Supports the Customs and International Trade Bar Association position of opposition to H.R. 3159.

T. W. Paper Machines Inc.: It is unfair to require importers to pay increased duties when the underlying legal and factual issues upon which the increases are based are the subject of an administrative challenge. Also, legislation would be made retroactive for situations where the Customs Service could be permitted to collect interest, and the legislation is prospective for circumstances where the legislation would require the Customs Service to pay interest.

Leading Forwarders, Inc.: The bill is lacking in fairness.

American Association of Exporters and Importers: The bill is unfair. The Customs Service has the authority to require importers to deposit estimated duties in whatever amounts the Service deems appropriate. Importers should be permitted to exhaust their administrative remedies.

Abe M. Knipper, Inc.: The bill is not clear as to whether it is to dissuade or deter imports, to improve the trade deficit, or to balance the budget.

H.R. 4255

Introduced by: Mr. Frenzel (MN)
Date: October 31, 1983

To provide for a reduction in duty on certain fresh asparagus.

Summary of the Provision

H.R. 4255, if enacted, would create two new items that would provide for duty reductions in fresh or chilled asparagus air freighted to the United States and entered between September 15 and November 15 and reductions in all other asparagus either fresh, chilled, or frozen.

Section-by-Section Analysis

Section 1 of H.R. 4255, if enacted, would amend subpart A of part 8 of schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting new items 135.03 and 135.05 before the superior heading to items 135.10 through 135.20. New item 135.03 would provide for a column 1, MFN, duty on fresh or chilled asparagus air freighted to the United States and entered between September 15 and November 15 of 5% ad valorem. The column 2 duty would be 50% ad valorem. Item 135.05 provides for a column 1, MFN, duty on all other asparagus either fresh, chilled or frozen and not contained in item 135.03 of 25% ad valorem. The column 2 duty would be 50% ad valorem.

Section 2 makes the provision effective on or after the 15th day after the date of the enactment of this Act.

Background and Justification

This legislation provides for a reduction in duty on fresh or chilled asparagus which is air freighted to the United States between September 15 and November 15. The intent of the legislation is to allow the importation of asparagus at a lower rate of duty during periods of domestic shortages due to seasonality. Concern has been expressed by the Administration regarding the impact this legislation may have on canned and frozen product prices.

Comparison with Present Law

Currently asparagus which is chilled, fresh or frozen is covered under item 137.95 with a column 1, MFN, duty of 25% ad valorem. The column 2 duty is 50% ad valorem. Cut, sliced or otherwise reduced in size asparagus which is frozen, fresh or chilled is covered under item 138.4640 with a column 1, MFN, duty of 17.5% ad valorem and a column 2 duty of 35% ad valorem.

Effect on Revenue

An estimate of the impact this legislation may have on the revenue of the United States has not been determined as yet.

Subcommittee Action

Agency Reports

The Department of Agriculture opposes enactment of H.R. 4255.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4255 favorably reported to the full Committee on Ways and Means by voice vote with an amendment changing the effective date to 15 days after the date of enactment.

SUMMARY OF TESTIMONY ON H.R. 4255

Administration

Department of Agriculture: Opposes enactment of H.R. 4255. Lower priced imports of asparagus between September 15 and November 15 would compete with U.S. production for canned and frozen asparagus.

Statements for the Record

Supports

Congressman Frenzel: The intent of the bill is only to provide consumers with asparagus in the off-season.

International Multifoods Corporation: The effect of the bill would be to reduce the cost of fresh asparagus to U.S. consumers with negligible impact on domestic asparagus producers.

Opposes

California Asparagus Growers' Association: Growers in the Sacramento-San Joaquin Delta and the Imperial Valley areas of California produce, harvest and sell asparagus during the September 15 through November 15 period.

American Farm Bureau Federation: This bill unilaterally reduces duty rates on products entered into the U.S. without obtaining a counter concession from our trading partners.

H.R. 5455

Introduced by: Mr. Glickman (KS)
Date: April 12, 1984

To amend the Tariff Schedules of the United Sates to clarify the classification of unfinished gasoline.

Summary of the Provision

H.R. 5455, if enacted, would amend the Tariff Schedules of the United States (TSUS) to provide for motor fuel blending stock to be dutiable at 1.25 cents per gallon, the same rate that currently applies to motor fuel.

Section-by-Section Analysis

Section 1 of H.R. 5455, if enacted, would amend part 10 of schedule 4 of the Tariff Schedules of the United States (19 U.S.C. 1202) by adding at the end of headnote 2 the following: "(c)'Motor fuel blending stocks (item 475.27) is any product (except naphthas provide for in item 475.35) derived primarily from petroleum, shale oil, or natural gas, whether or not containing additives, which is chiefly used for direct blending in the manufacture of motor fuel."; by inserting in numerical sequence the following new item 475.27, "Motor fuel blending stock" with a column 1 duty rate of 1.25 cents per gal. and a column 2 duty rate of 2.5 cents per gal.; by amending item 475.30 by striking out "fuel)" and inserting in lieu thereof "fuel or motor fuel blending stock)", and by amending headnote 1 by inserting "motor fuel blending stock " after "motor fuel".

The effect of all of these amendments would be to treat motor fuel blending stocks, which are used in the productions of motor fuel, in a manner equivalent to the tariff treatment currently provided in the TSUS for motor fuel. The only exception is that naphthas provided for in item 475.35, as amended by legislation pending with this bill (H.R. 4232), would be dutiable at 0.25 cents per gallon as provided for therein.

Section 2 makes the provision effective on or after the 15th day after the date of enactment of this Act.

Background and Justification

U.S. production figures for "unfinished gasoline" or motor fuel blending stock are not separately available. However, the U.S. Department of Energy published U.S. production data for petroleum products other than distillate and residual fuel oils and finished motor gasoline as shown in the following tabulation (in thousands of barrels per day):

Year	Production
1979	4,153
1980	3,956
1981	3,739
1982	3,453
1983	3,498

The U.S. Customs Service identified the motor fuel standards to be used for classification of petroleum materials used as motor fuel in Treasury Decision (T.D.) 83-173, issued August 17, 1983. Classification of an imported petroleum product as a motor fuel requires that the product meet one of the following ASTM specifications:

D439	Automotive gasoline
D1655	Aviation turbine fuels
D910	Aviation gasolines

Thus, in order to qualify as automotive gasoline, an imported material must have an octane rating in the 87 to 93 range if leaded gasoline, or the 85 to 90 range if unleaded gasoline.

Official U.S. Bureau of Census statistics on imports of "motor fuel blending stock" are not available. The U.S. Department of Energy, however, publishes statistics on U.S. imports of gasoline blending components as shown in the following tabulation (in thousands of barrels):

Year	Production
1979	7,776
1980	8,374
1981	8,724
1982	14,105
1983	12,668

There were negligible exports of these products during 1979-83.

Comparison with Present Law

"Motor fuel blending stocks" are currently classified under various TSUS provisions depending upon its composition. If the product contains more than a de minimis amount of benzoid additives (5 percent by Customs interpretation), it is classified as other mixtures of organic chemicals containing benzenoid chemicals in TSUS item 407.16 at a column 1 duty rate of 1.7 cents per pound plus 13.6 percent ad valorem, but not less than the highest rate

applicable to any component material. Item 407.16 has a column 2 rate of 7 cents per pound plus 43.5 percent ad valorem, but not less than the highest rate applicable to any component material. Imports from designatted beneficiary developing countries other than Venezuela are eligible for duty-free entry under the Generalized System of Preferences (GSP). Imports from designated Caribbean countries are eligible for duty-free treatment under the Caribbean Basin Initiative (CBI).

If the product is a naphtha containing not over 5 percent by weight of benzenoid additives, it is classified under item 475.35, TSUS, which provides for naphthas derived from petroleum, shale oil, natural gas, or combinations thereof, at a column 1 rate of 0.25 cents per gallon and a column 2 rate of 0.5 cents per gallon. Imports, classified under this provision are not eligible for duty-free treatment under the GSP. Products classified under item 475.35 are excluded from the duty-free treatment of the CBI.

Other mixtures which do not qualify for classification under item 407.16 or item 475.35 are being classified as other mixtures not specially provided for in whole or in part of hydrocarbons derived in whole or in part from petroleum, shale oil, or natural gas, under item 432.10, TSUS, at a column 1 rate of 5 percent ad valorem, but not less than the highest rate applicable to any component material, and a column 2 rate of 25 percent ad valorem, but not less than the hightest rate applicable to any component material. Imports classified under item 432.10 are not eligible for duty-free treatment under the GSP. They are, however, eligible under the CBI.

Still other mixtures are being classified under various provisions in part 2 of schedule 4, depending upon their chemical composition.

This legislation would have the effect of bringing motor fuel blending stock gasoline within the scope of the tariff provision for motor fuel, item 475.25, TSUS. Item 475.25 has a column 1 rate of 1.25 cents per gallon and a column 2 rate of 2.5 cents per gallon. Imports classified under item 475.25 are eligible for neither the GSP nor the CBI.

A concessionary LDDC rate was not established for any of the four items discussed above. None of these four provisions is scheduled for staged duty reductions within the framework of the Tokyo Round of Multilateral Trade Negotiations.

Effect on Revenue

Determination of the annual loss of revenue is not possible because quantitative data on imports of "unfinished gasoline" under the various TSUS items under which it is classified are not available. Based on industry comments, the quantity of imports to date has been small. It is difficult to estimate the probable quantity of future imports if this legislation is enacted.

Subcommittee Action

Agency Reports

The U.S. Trade Representative has no objection to enactment of H.R. 5455.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5455 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment deleting the reference to "unfinished gasoline" and providing a new provision with the same rates of duty for "motor fuel blending stock," defined in new paragraph (c) to headnote 2 of part 10 of schedule 4 as any product other than naptha (item 475.35) derived primarily from petroleum, shale oil or natural gas, whether or not containing additives, which is chiefly used for direct blending in the manufacture of motor fuel. A conforming amendment was also made to headnote 1 by adding "motor fuel blending stocks to the excepted products enumerated therein. The effective date was also changed to 15 days after the date of enactment.

SUMMARY OF TESTIMONY ON H.R. 5455

Administration

U.S. Trade Representative: The Administration does not object to the intent of H.R. 4232 and H.R. 5455. However, USTR feels that it would be more appropriate to establish a single classification for all motor fuel blending stock with a tariff set at the same rate as that for motor fuel.

Public Witnesses

Oral Testimony

Supports

Independent Gasoline Marketers Council (supports with amendment): This bill does not appear to resolve the classification problem for low octane gasoline such as that imported from the PRL and Mexico. Favors amending bill in the manner suggested by the Administration.

Wickland Oil Company (supports with amendment): An anomaly exists in the tariff schedules with respect to the treatment of petroleum products used to manufacture motor gasoline. This anomaly imposes a substantial burden on trade. As a result, this inequitable burden on trade generates anticompetitive consequences in the domestic gasoline market by rendering firms dependent on foreign components effectively incapable of participating in the market. Favors enacting H.R. 4232 and the Administration's proposal modified to exclude from its coverage straight-run naphtha.

Opposes

American Independent Refiners Association: The AIRA position is summarized as follows:

A broad cross-section of the U.S. independent petroleum refining industry strongly opposes H.R. 5455 or any similar proposal to relax the tariff treatment of imported gasoline which is below U.S. specifications for use in internal combustion engines. Sub-specification materials appear to be contributing substantially to the growing problem of gasoline imports.

In recent years a sharp increase in gasoline imports has occurred while the U.S. refining industry has been operating at well below 75 percent of capacity and petroleum demand is down substantially from historic levels.

These mounting imports are resulting in the exportation of domestic refining capacity and could impair the ability of the Nation to meet its own product demand. If this trend continues, we could find ourselves as dependent on imported products as we have become dependent on imported crude oil, a condition which would give the Nation even less flexibility to deal with crude oil shortages.

The ability of foreign refiners to undercut the U.S. industry is not a function of superior plants or greater operating efficiencies. In fact, the U.S. industry has invested in modern facilities and technology in order to meet the domestic demand for premium light products and in order to comply with stringent U.S. environmental standards. Foreign export refineries typically reflect a lower investment in facilities to make heavier fuel oil products for local markets, allowing surplus by-product gasoline to be imported to the United States at whatever price will assure a market.

H.R. 5455 and the related proposals inadequately address critical U.S. trade policy issues. The issues are what level of U.S. dependency on imported petroleum product is acceptable and to what extent the U.S. is willing to support and encourage the importation of undervalued products produced by substantially less efficient foreign refiners at the expense of highly efficient, sophisticated U.S. refiners which must obtain a realistic return on petroleum products produced.

Statements for the Record

Supports

Koch Industries Inc.: Enactment of this bill would clarify the Tariff Schedules and bring them in line with generally accepted industry practices. The classification of gasoline based on the Anti-Knock index is arbitrary and not in line with foreign or domestic oil and gas industry practices.

Petroleos Mexicanos: Enactment of this bill would clarify the Tariff Schedules. On August 17, 1982, the U.S. Customs Service in Treasury Decision T.D. 83-173 promulgated new standards to be applied by the Customs Service in determining whether or not a particular imported product could be classified as "motor fuel." As a result, it is not clear what alternative classifications will be applied by Customs.

Southland Corporation and CITGO Petroleum: Enactment of this bill would provide greater certainty respecting the classification of refined petroleum products as motor fuel. Customs Service administrative action to change a long-standing practice under which 83 octane leaded gasoline could be imported as "motor fuel" subject to a 1.25 cents per gallon duty produces inconsistent results in particular cases. The uncertainty generated by the Customs Service's actions make commercial planning impossible.

Opposes

Tosco: Enactment of this bill would work to the detriment of the domestic refining industry.

USA Petroleum Company: Enactment would (1) increase the competition to the small independent refiner who must refine at a higher cost, (2) result in the closing of more small independent refineries because of increasing imports and less demand and (3) increased imports would only increase the U.S. dependence on foreign countries in the future.

Amber Refining: Foreign refiners have a cost advantage over domestic refiners and any reduction in duty treatment to foreign imports of unfinished gasoline would be detrimental to the domestic refining industry.

H.R. 5182

Introduced by: Mr. Bonker (Wash.)
Date: March 20, 1984

To amend the Tariff Schedules of the United States to clarify the duty treatment of certain types of plywood.

Summary of the Provision

H.R. 5182, if enacted, would revise the Tariff Schedules of the United States (TSUS) to ensure that imports of cellular panels and tongued, grooved, lapped, or otherwise edge-worked plywood and wood-veneer panels are classified under the tariff provisions for those three products, rather than as building boards.

Section-by-Section Analysis

Section 1 of H.R. 5182, if enacted, would amend headnote 1 of part 3 of schedule 2 of the Tariff Schedules of the United States to modify the definitions of plywood, wood-veneer panels and building boards to clarify, that imports of cellular panels and tongued, grooved, lapped, or otherwise worked plywood and wood-veneer panels are properly classified under the tariff provisions for those three products, rather than as building boards.

Section 2 makes the provision effective on or after the 15th day after the date of enactment of this Act.

Background and Justification

This legislation is intended to correct a tariff anomaly illustrated by an existing interpretation by the Customs Service on plywood panels being imported from Canada. Canadian cedar plywood, which has been shiplapped on the long sides, is being brought into this country classified by Customs as "building boards." This imported edge-worked plywood is marketed, advertised, sold, and used as plywood--the same purposes as domestically produced plywood whether or not it has been edge-worked. The process of creating tongue-and-groove or shiplapped edges on the imported plywood is not a manufacturing process which results in a new and different article. However, the category "building boards" carries a tariff calculated in 1983 at 8.4%, whereas the duty rate for "plywood" is 20%. The Customs Service classified the import on the basis of end use, which in this case is exterior siding, rather than on its physical description as a "rigid wood veneer assembly" which applies to plywood.

The products involved in this legislation, plywood, wood-veneer panels, cellular panels, and building boards, are described in the headnotes to part 3 of schedule 2 of the Tariff Schedules of the United States Annotated (TSUSA). Whether or not they have been edge worked, plywood, wood-veneer, and cellular panels are used for many purposes, including siding, flooring, wall paneling, and roofing. We note that cellular panels are generally not edge worked.

It is estimated that in 1983 about 400 companies, employing 68,500 people, produced plywood, wood-veneer panels, cellular panels, and building boards. Of these companies, approximately 18 (41 plants) employing 2,000 people, produced softwood plywood siding, which is the major product which would be affected by enactment of this legislation.

Consumption of plywood, wood-veneer panels, cellular panels, and building boards fell from 24.5 billion square feet, valued at about $4.5 billion, in 1979 to 20.2 billion square feet, valued at $4.0 billion, in 1982, reflecting a general slump in construction activities. In 1983, approximately 28 billion square feet, valued at about $5 billion was consumed in the United States. The increase reflects a rebound in U.S. imports of plywood, wood-veneer panels, cellular panels, and building boards, amounted to about 1 percent of total U.S. consumption of such products in 1983.

It is estimated that, in 1983, 1.5 billion square feet, or about 5 percent of total U.S. consumption of plywood, wood-veneer panels, cellular panels, and building boards, was edge worked.

U.S. imports of plywood, wood-veneer panels, cellular panels, and building boards are estimated to have fallen from $620 million in 1979 to $400 million in 1982 as construction activities fell. Imports then rose to $580 million in 1983 as such activities rebounded.

U.S. exports of plywood, wood-veneer panels, cellular panels, and building boards are estimated to have risen from $115 million in 1979 to $253 million in 1983 as U.S. producers continued to seek new market exports to edge worked panels are believed to have totaled $50 million in 1983.

Comparison with Present Law

Currently, Customs classifies plywood and wood-veneer panels which have been edge worked as building boards under item 245.80 at a column 1 rate of duty of 1.7 cents per pound plus 3.1 percent ad valorem (ad valorem equivalent (AVE) equals 10 percent), and

LDDC rate of 1.3 cents per pound plus 2.3 percent ad valorem, and a column 2 rate of 15 cents per pound plus 25 percent ad valorem. Imports from designated beneficiary countries are eligible for duty-free entry under the Generalized System of Preferences (GSP). Imports from designated Caribbean countries are eligible for duty-free treatment under the Caribbean Basin Initiative (CBI).

Recent importations of edge-worked panels classified under item 245.80 have consisted primarily of cedar siding which, when it is not edge worked, is classifiable under item 240.21, at a column 1 duty rate of 20 percent ad valorem and a column 2 rate of 40 percent. An LDDC rate was not es.ablished for item 240.21. Articles classified under this tariff provision are eligible for the GSP and the CBI.

Effect on Revenue

The enactment of this bill is not expected to result in any significant change in the volume of edge worked products entering the United States. Roughly a doubling in duty revenue from an estimated $400,000 to $800,000 can be expected because the product primarily affected by the legislation would be dutiable under item 240.21 at approximately twice the rate currently being applied under item 245.80.

Subcommittee Action

Agency Reports

The Department of Commerce opposes enactment of H.R. 5182.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 5182 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment changing the effective date to 15 days after the date of enactment.

SUMMARY OF TESTIMONY ON H.R. 5182

Administration

Department of Commerce: Opposes enactment of H.R. 5182. The industry initiated a case regarding the classification of plywood as building boards with the U.S. Court of International Trade in August 1983 and a decision should be made by the court

sometime this fall or shortly thereafter. The industry has yet to exhaust applicable administrative remedies and should continue to pursue those remedies rather than enacting legislation.

Public Witnesses

Oral Testimony

Supports

The Honorable Don Bonker, M.C. (Wash.): H.R. 5182 would correct an irregularity in the tariff categories for plywood which have a damaging and unfair effect on manufacturers of some plywood products.

American Plywood Association: Certain Canadian softwood plywoods enter the U.S. incorrectly classified by the Customs Service as "building boards," enabling the Canadians to qualify for a much lower tariff than the 20 percent tariff on Canadian softwood plywood. Enactment of H.R. 5182 would correct an error in tariff interpretation by the U.S. Customs Service.

ITT Rayonier Inc.: The Canadians market their product in the U.S. as "Western Red Cedar-faced Plywood Panels." Only the U.S. Customs Service seems not to know it is plywood.

Opposes

MacMillan Bloedel Ltd.: H.R. 5182 is objectionable for the following reasons: (1) It is based on a misunderstanding of the provision in the Tariff Schedules of the United States concerning building boards; (2) it purports to close a "loophole" that is, in fact, nonexistent; (3) it would prejudge an issue now before the U.S. Court of International Trade; (4) it would violate U.S. obligations under the General Agreement on Tariffs and Trade (GATT) and injure other U.S. industries; (5) it is not justified on economic grounds; and (6) it is, despite the claim to the contrary, protectionist in nature.

Statements for the Record

Supports

Evan Products Co.: It is ludicrous to allow cedar plywood siding to be imported from Canada under the classification of "building boards."

H.R. 3817

Introduced by: Mr. Hance (TX)
Date: August 4, 1983

To apply for a five-year period a lower rate of duty on ethyl and methyl parathion.

Summary of the Provision

H.R. 3817, if enacted, would reduce each year until 1987 the rate of duty on ethyl and methyl parathion. The staged rate reductions would be as follows:

Upon enactment	9.5% ad val.
January 1, 1985	8.6% ad val.
January 1, 1986	7.6% ad val.
January 1, 1987	6.9% ad val.

Section-by-Section Analysis

Section 1 of H.R. 3817, if enacted, would amend subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by inserting a new item 907.11 which would provide for a column 1, MFN, duty of 9.5% ad valorem on ethyl and methyl parathion, provided for in item 408.28, part 1C of schedule 4. This section also provides that effective January 1, 1985, the column 1, MFN, duty would be reduced to 8.6% ad valorem and would be reduced each year on January 1 thereafter until a level of 6.9% ad valorem becomes effective on January 1, 1987. There would be no change in the column 2 rate of duty.

Section 2 provides for the effective date of the Act to be on or after the 15th day after the date of the enactment of the Act.

Background and Justification

The resultant increase in duty following the conversion from the American Selling Price (ASP) method of determining tariff and the ad valorem method as a result of the Tokyo MTN for these two benzenoid chemical products, methyl and ethyl parathion, was first brought to the attention of the Subcommittee on Trade on July 1, 1980. A memorandum concerning these two chemicals is part of the record of the U.S. Trade Policy hearing held by the Subcommittee. The memorandum was submitted by Trans Chemic Industries, Inc., who imports these chemicals and resells them to domestic "formulators" of insecticides.

In the 97th Congress, a similar bill was introduced on May 20, 1931, H.R. 3649, and hearings were held. Adverse reports were received from Agriculture and Commerce based upon the view that

a unilateral reduction of this duty would set a dangerous precedent by reopening the conversion process on tariffs which had been achieved to eliminate the American Selling Price (ASP) system. Therefore, the bill was not acted upon in the 97th Congress.

The proposed annual reductions are the same as those scheduled for item 408.24 which was the created category to provide a lower duty rate to certain "noncompetitive" insecticides. The remaining insecticides determined to be "competitive" by the Customs Service were placed under item 408.28, a resicual "basket" category.

Methyl and ethyl parathion are highly effective, non-persistant, organophosphorus insecticides used to control numerous insect species on a variety of crops including fruits and vegetables. Methyl parathion is used primarily on cotton to control the boll weevil. Ethyl parathion is used to control insects which attack a variety of fruits and nuts, alfalfa and other field crops, and cotton. These chemicals are the active ingredients used by formulators in preparing the various insecticides to be used for application to the crops.

Since 1977, domestic use of these insecticides, has decreased owing to the advent of new more easily applied insecticides. However, a slight increase in usage since 1979 has resulted due partially to increased Government restrictions on chlorinated insecticides (used on similar crops; e.g., cotton) and to increased insect resistance to certain chlorinated insecticides. Other competitive insecticides being used on cotton to control insects are synthetic pyrethroids. However, methyl parathion is still believed to be the largest volume insecticide used on cotton because of its lower cost and greater effectiveness compared with other insecticides.

TSUS item 408.24 was created during the Multilateral Trade Negotiations (MTN) to give only certain "noncompetitive" insecticides a lower duty rate. The remaining insecticides classified as "competitive", including these two chemicals, were placed in a residual "basket" category (TSUS item 408.28) with a duty rate based on the average of the ad valorem equivalents (AVE's) for the chemicals classified in this "basket" category based on 1976 import data. The current classification of these two insecticides was intended to give the domestic producer of these products protection from imports equivalent to that conferred by the discontinued American selling price (ASP) method of valuation.

In 1983, imports of methyl and ethyl parathion, by quantity, are expected to be 6 million pounds, about the same as the 6 million pounds imported in 1982. Prior to 1980, only imports of ethyl parathion, amounting to 22,046 pounds in 1976, were identified by the International Trade Commission during the period 1976-79. Imports

of ethyl parathion were classified as "competitive" by Customs and valued under ASP. If methyl parathion had been imported during this period, this product would also have been classified as "competitive" by Customs, Customs, owing to the number of domestic producers.

Imports of these two insecticides in 1980 were from Denmark. However, according to industry sources, the Federal Republic of Germany is also a potential source of imports for these products.

In 1976 and 1977, combined exports of methyl and ethyl parathion, except preparations, were valued at $5.2 million and $13.2 million, respectively. During 1978-80, export data for ethyl parathion were not available because this product was classified in a residual "basket" category, owing to a change in the export schedule (Schedule B) nomenclature. However, based on discussions with industry representatives, it is estimated that exports of ethyl parathion in 1979 approximated $1.8 million.

Comparison with Present Law

Ethyl and methyl parathion are classified under TSUS item 408.28 (Other insecticides, not artificially mixed). The column 1 (MFN) duty rate for this basket category is 16.1 percent ad valorem. Item 408.28 is scheduled for staged duty reductions reaching the full concession value of 12.5 percent ad valorem by 1987. The column 2 rate of duty for item 408.28 is 7 cents per pound plus 64.5 percent ad valorem. The LDDC rate of duty is 12.5 percent ad valorem. Both chemicals are eligible for duty-free treatment under the Generalized System of Preferences (GSP).

The proposed legislation would provide for a new item 907.11 of the Appendix to the TSUS in which the column 1, MFN, duty for these two chemicals would be 9.5 percent ad valorem. The duty would be reduced in annual steps to 6.9 percent on January 1, 1987. The column 2 rate of duty remains unchanged.

Effect on Revenue

Based upon import information supplied by the domestic industry for these two insecticides, the estimated revenue loss would be about $400,000. A slight reduction in annual revenue loss through 1987 could be expected due to staged rate reductions.

Subcommittee Action

Agency Reports

The Department of Commerce opposes enactment of H.R. 3817.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 3817 favorably reported to the full Committee on Ways and Means by voice vote, with a technical amendment providing for the provision to expire on a date certain.

SUMMARY OF TESTIMONY ON H.R. 3817

Administration

Department of Commerce: Opposes enactment of H.R. 3817.

Commerce opposes unilateral tariff reductions when such reductions could affect the competitive posture of U.S. producers. There is one domestic producer of ethyl and methyl parathion. This producer already is experiencing significant competition from imports of parathion and from substitute products.

Statements for the Record

Supports

Trans Chemic Industries, Inc.: Protests that Monsanto holds a monopoly on the production of parathion. According to Monsanto, farmers will use 30 to 40 percent more methyl parathion in 1984 than in 1983. The consumer should have a choice.

Opposes

Congressman Bill Nichols: The bill needlessly puts American jobs at risk for the benefit of foreign manufacturers.

Monsanto: U.S. parathion production capacity is approximately three times U.S. consumption. This bill would cause the closure of Monsanto plant resulting in the permanent loss of approximately 300 jobs. Imports continue to increase in a declining U.S. market.

H.R. 2711

Introduced by: Mr. Vander Jagt (MI)
Date: April 21, 1983

To amend the Tariff Schedules of the United States to impose a one-tenth of one cent duty on apple and pear juice.

Summary of the Provision

H.R. 2711, if enacted, would impose a rate of duty of one-tenth of one cent per gallon on imports of apple and pear juice.

Section-by-Section Analysis

Section 1 of H.R. 2711, if enacted, would amend subpart A of part 12 of schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202) to impose a rate of duty of one-tenth-of-one-cent per gallon on imports of apple and pear juice from countries entitled to most favored nation (MFN), or column 1 treatment under TSUS item number 165.15. Currently imports from column 1 countries are free of duty; the legislation would not affect the existing column 2 rate of 5 cents per gallon.

Section 1(b) provides for the effective date to be on or after the 15th day after the date of the enactment of this Act.

Background and Justification

TSUS item 165.15 provides for apple or pear juice, not a mixture of two or more fruit juices and not containing over 1.0 percent of ethyl alcohol by volume. The juices may be concentrated or not concentrated, sweetened or not sweetened; they may be in any form (liquid, frozen, powdered, or solid) and must be fit for use as beverages or for beverage purposes. Apple juice and pear juice are normally prepared by pressing fresh fruit and filtering the juice. Unless it is to be consumed immediately, it is preserved against spoilage by heat sterilization, concentration, freezing, the addition of preservation ingredients, or combinations of these or other means; juice that is to be stored or transported long distances is usually concentrated. In the United States, the most frequently consumed apple juice products are fresh sweet apple cider, pasteurized apple juice (canned or bottled single-strength juice), and concentrate apple juice (CAJ). The first two products are chiefly used as table beverages, while CAJ is used in manufacturing other food products, such as single-strength apple juice, mixed fruit juices, single-product or mixed fruit drinks, apple jelly, fermented or other alcoholic beverages, vinegar and flavorings. Pear juice, a relatively bland, low-acid juice, is purchased in comparatively small quantities by retail consumers. Pear juice is also used in the canning industry as a packing medium for certain canned fruits.

The legislation would impose ordinary customs duties on articles covered by TSUS item 165.15 which are currently duty-free. Domestic apple growers in the past have attempted to obtain relief from imports of apply juice from Argentina by seeking imposition of countervailing duties. Under provisions of the countervailing duty law applicable to Argentina 1/ (section 303(b) of the Tariff Act of 1930, as amended), countervailing duty may be levied on imported articles which are free of duty only after it has been determined by the U.S. International Trade Commission (ITC) that the imports are causing or threatening injury to a domestic industry and the Commerece Department determines that the imports benefit from subsidies. No such determinatin has been issued in regard to domestic apple or pear juice. Getting to the primary purpose for this legislation, if the legislation were enacted and the imported products were made dutiable, section 303(b)(1) of the tariff Act of 1930 (19 U.S.C. 1303(b)(1) would govern any future proceedings concerning the imposition of countervailing duties. Consequently, no injury determination by the ITC would be required, as in the past, before countervailing duties could be imposed on imports from such suppliers as Argentina and South Africa.

1/ Argentina is not a "country under the Agreement" for purposes of Title VII of the Tariff Act of 1930, as amended, as it has not signed or assumed the obligations of the GATT Subsidies Code. See: Code of Subsidies and Countervailing Duties, General Agreement on Tariffs and Trade. The Republic of South Africa, the second-ranked supplier of apple and pear juice in 1981, is also a non-signatory to the Agreement.

During 1977-81, U.S. production of apples utilized for apple juice and cider increased from 1,267 million pounds in 1977 to 2,139 million pounds in 1980, and then declined to 1,792 million pounds in 1981 (table 1). During the same period, the farm value of such production ranged from $69 million in 1977 to a high of $101 million in 1979.

The estimated U.S. production of apple juice and cider in single-strength gallons during 1977-81 increased from 108 million gallons in 1977 to 182 million gallons in 1980, and then declined to 152 million gallons in 1981 (table 2).

During 1977-81, U.S. imports of apple and pear juice increased irregularly from 31.9 million single-strength equivalent gallons in 1977 to 81.6 million gallons in 1981, or by about one and one-half times (table 3). During 1982, imports rose to approximately 103.8 million gallons, an increase of about 20 percent over 1981. The value of the annual imports during 1977-82 ranged from $25 million in 1977 to $92 million in 1979.

Argentina has been the predominant supplier of imports of apple and pear juice, although its share of the total declined over the period as other sources increased their shares. During 1977-79, Argentina supplied 62 percent of the total imports under item 165.15 (by quantity); during the period from January 1980 to August 1982, Argentina's share declined to 47 percent of the total supplied. For 1982, Argentina's share of total imports had fallen to 39 percent. Other major suppliers are the Republic of South Africa, West Germany, Spain, Mexico, the Netherlands and New Zealand.

Data on U.S. exports of apple or pear juice are not separately reported. The level of such exports, 3 million to 7 million gallons annually, is estimated at about one-third of total U.S. exports of all non-enumerated fruit juices.

The estimated apparent U.S. consumption of apple juice averaged 196 million gallons annually in 1977-81, increasing from an average of about 150 million gallons during 1977 and 1978 to an average of 223 million gallons during 1980 and 1981. In 1982, apparent consumption rose to approximately 259 million gallons.

It is estimated that the U.S. consumption of pear juice is only a small fraction of the consumption of apple juice.

Comparison With Present Law

Apple and pear juice, not mixed and not containing over 1.0 percent ethyl alcohol by volume, whether concentrated or not concentrated, as provided for under TSUS item 165.15, are free of duty when imported from column 1 countries and are dutiable at 5 cents per gallon of single-strength equivalent juice when imported from column 2 countries. In addition, if the imported fruit juice under TSUS item 165.15 contains more than 0.5 percent but not over 1.0 percent of ethyl alcohol by volume, a Federal Excise Tax would apply to the alcohol content. The current column 1 rate became effective January 1, 1971, as a result of staged rate-of-duty concessions granted under the General Agreement on Tariffs and Trade (GATT) in the Kennedy round of trade negotiations (32 F.R. 19002). Since the column 1 rate of duty is free, imports have not been designated as eligible for free entry under the Generalized System of Preferences (GSP).

It should be noted that the new duty could impel claims for compensation from our GATT trading partners, since the United States had previously bound the most favored nation rate as free.

Effect on Revenue

If this legislation were to be enacted, the annual customs revenue gain, based on the level of imports entered in 1982, would amount to approximately $92,300.

Subcommittee Action

Agency Reports

The Department of Agriculture opposes enactment of H.R. 2711.

The U.S. Trade Representative opposes enactment of H.R. 2711.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 2711 favorably reported to the full Committee on Ways and Means by voice vote, with technical amendments providing for the proposed change to be made directly to the duty rate column of existing TSUS item 165.15 and conforming the effective date to 15 days after the date of enactment.

Senate Action

A companion bill, S. 453, was introduced by Senator Warner in the Senate on February 3, 1983.

SUMMARY OF TESTIMONY ON H.R. 2711

Administration

Department of Agriculture: Opposes enactment of H.R. 2711. Any modification of the tariff exemption would require compensatory adjustments on the part of the United States on other products supplied by the countries affected by an increase in the duty.

U.S. Trade Representative: Opposes enactment of H.R. 2711. USTR typically opposes bills which would increase duties on items bound by GATT. Also, this bill would circumvent existing U.S. countervailing duty law.

Statements for the Record

Supports

The Honorable George C. Wortley, M.C. (N.Y.): Imports of fresh apples are nearly the equivalent of 25 percent of the total U.S. apple production for 1983.

International Apple Institute: Apple juice imports have increased by 205 percent during the past four years (45.9 million gallons to 139.8 million gallons). Argentina, who provides financial assistance in the form of rebates and low interest rate loans with liberal repayable schedules, had a market share of U.S. apple juice imports ranging from a low of 40 percent to a high of 68 percent duty during the past five years.

American Farm Bureau Federation: U.S. apple growers find that the government of an exporting nation is providing a substantial subsidy to the processors and exporters of that product. Apple growers must prove "material injury" exists before a countervailing duty can be put into place to offset the Argentine subsidy advantage.

Opposes

U.S. Council for an Open World Economy: The Council supports bills that would reduce or suspend tariffs leaving resumption of higher duties conditional on proof that they are necessary.

Association of Food Industries Apple Juice Group: Opposes H.R. 2711 for the following reasons:

- it would result in administrative costs far in excess of the revenue it would generate;
- it would legislate discriminatory treatment with respect to a particular products; and
- it would unilaterally and prejudicially alter U.S. government policy and commitments with respect to our relations with foreign trading partners.

H.R.4647

Introduced by: Mr. Frenzel
Date: January 25, 1984

To apply a reduced rate of duty to certain dried egg yolk processed from eggs produced in the United States and exported to Canada for use in the manufacture of lysozyme.

Summary of the Provision

H.R. 4647, if enacted, would apply a reduced rate of duty on egg yolks certified by the importer to have been processed in a foreign country from an equivalent quantity of eggs produced in the United States and exported in the shell to that country for use in the extraction of lysozyme.

Section-by-Section Analysis

Section 1 of H.R. 4647, if enacted, would amend subpart E of part 4 of Schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202) to apply a reduced rate of duty to egg yolks certified by the importer to have been processed in a foreign country from an equivalent quantity of eggs produced in the United States and exported in the shell to that country for use in the extraction of lysozyme, by striking out items 119.65 and 119.70 and inserting in lieu thereof item 119.64 and 119.66, Dried with a column 1 rate of duty of 5.5 cents per pound and 2.2 cents per pound respectively. Also, inserting items 119.68 "Other" Dried and 119.72 "Other" with a column 1 rate of duty of 27 cents per pound and 5.5 cents per pound respectively. The column 2 rate of duty does not change.

Background and Justification

Dried egg yolks are produced when eggs in the shell are broken, the yolks are separated from the albumen, and the yolks are dried by any of several methods, including spray drying and pan drying. Dried egg yolks are primarily used in the baking and confectionary industries and in the manufacture of mayonnaise, baby food, salad dressing, noodles, cake mixes, egg substitutes, and other processed food items. Dried egg yolks are also needed for certain medical, pharmaceutical, and manufacturing applications, although the quantity used is small.

As of May 1983 (the latest available data), there were 23 firms with 28 plants operating under the USDA's egg products inspection program that produced dried egg products, including dried egg yolks. The processing of dried egg products is concentrated in the Midwest; of the 28 plants, 18 are located in that area. Nebraska has the greatest number of plants, with five.

There are no data on the share of the industry's total sales attributable to the top five companies.

During 1979-83, U.S. consumption of dried egg yolks ranged from an estimated 17 million pounds, valued at $27 million, in 1979 to 20 million pounds, valued at $42 million, in 1981. A decline in consumption in 1983 was largely the result of high prices, due to reduced supplies in that year. The share of consumption supplied by imports during 1979-83 was negligible except in 1983, when 2 percent of the total quantity of dried egg yolks consumed was imported.

During 1979-83, U.S. production of dried egg yolks ranged from a high of 22 million pounds, valued at $45 million, in 1981 to a low of 18 million pounds, valued at $40 million, in 1983. The 1983 decline was a result of the smaller laying flock, reducing U.S. shell egg production (including the supplies of eggs for breaking).

During 1979-83, U.S. imports of dried egg yolks ranged from an estimated 57 pounds, valued at $229, in 1980 to 291,000 pounds valued at $550,000, in 1983. Imports increase in 1983 mainly because of decreased U.S. production. Canada supplied virtually all of the imports (98 percent in 1983).

During 1979-83, U.S. exports of dried egg yolks rose from an estimated 994,000 pounds, valued at $2 million, in 1979 to 2 million pounds, valued at $3 million, in 1981, then declined to 490,000 pounds, valued at $734,000, in 1983. The decline in exports in 1983 was caused by high U.S. product prices and the high value of the U.S. dollar relative to the currencies of the major markets. Japan is the largest market for U.S. exports of dried egg yolks, purchasing nearly one-third of such exports by value in 1983. Other significant buyers include West Germany and the United Kingdom. Major exporters include Milton G. Waldbaum Co., Wakefield, Nebraska and Henningson Foods, Inc., White Plains, New York.

Comparison with Present Law

The table below shows the present rate of duty applicable to U.S. imports of dried egg yolks.

Dried egg yolks: Present U.S. rates of duty

TSUS item No.	Description	Col. 1 rate of duty	Col.2 rate of duty
	Bird eggs, and bird-egg yolks and albumen, fresh, frozen prepared or preserved (whether or not sugar or other material is added):		
	Whole eggs not in the shell, egg yolks, and egg albumen:		
119.65	Dried----------	27¢ per pound	27¢ per pound

The column 1 rate of duty for dried egg yolks was not reduced during the most recent (Tokyo) round of the Miltilateral Trade Negotiations. Thus, no preferential tariff treatment is afforded imported from least developed developing countries (LDDC's). The subject egg yolks are not eligible for duty-free entry under the Generalized System of Preferences (GSP). However, imports from designated beneficiary countries are eligible for duty-free entry under the Caribbean Basin Initiative (CBI). The column 1 and column 2 duty rates are higher than the rate imposed under the Tariff Act of 1930 (par. 713, 18 cents per pound).

U. S. imports of egg products, including dried egg yolks, are regulated under the Egg Products Inspection Act (Public Law 91-597) and by the requirements set forth in the regulations governing the inspection of eggs and egg products (7 C.F. R. 59.900-970), both administered by the U.S. Department of Agriculture (USDA). These regulations effectively limit commercial imports of egg products to those from Canada. Imports of egg products from other countries may be permitted only if imported exclusively for the consignee's personal use, display or laboratory analysis, and not for sale or distribution.

Since the subject egg yolks are not articles assembled abroad from U.S.-fabricated components which have not lost their physical identity as such, they are not covered by TSUS item 807.00, providing a duty reduction for the value of the U.S. components. Nor have the egg yolks been exported "for repairs or alteration" in the narrow and usual sense (TSUS item 806.20).

Effect on Revenue

Enactment of this legislation would result in a loss of customs revenues. At the current duty rate of 27 cents per pound, imports of all dried egg yolks from Canada resulted in an estimated duty revenue of $77,502 in 1983. If the existing rate of duty were reduced to the proposed rate of 5.5 cents per pound, such annual revenue would be only $15,787 (based on 1983 imports), resulting in a loss of $61,715. This figure assumes all Canadian imports would be classifiable in the new provision: the actual revenue loss would likely be less than this amount.

Subcommittee Action

Agency Reports

The Department of Agriculture opposes enactment of H.R. 4647.

The International Trade Commission submitted an informative report.

Markup

On June 27, 1984, the Subcommittee on Trade ordered H.R. 4647 favorably reported to the full Committee on Ways and Means by voice vote, with an amendment to the article description of the proposed item deleting the reference to Canada and providing for a certification process to verify that the imported egg yolks have been processed from an equivalent quantity of U.S. eggs exported in the shell, and an amendment providing for the retroactive application of the new provision to March 31, 1984.

SUMMARY OF TESTIMONY ON H.R. 4647

Administration

Department of Agriculture: Opposes enactment of H.R. 4647.

The Department objects for the following reasons:

Current U.S. exports of value-added egg whites would be exchanged for lower-valued shell eggs and the resulting increased availability of egg whites in Canada would increase competition for existing U.S. egg white exports in other markets.

Canada maintains no prohibitive duty or quota on egg white imports but does maintain a quota on shell egg imports which we have no evidence will increase indefinitely. (Canada's egg industry currently is in surplus production. In addition, the Canadian Egg Marketing Board apparently was totally unaware of the recent increase in import licenses granted to the one U.S. producer-exporter.)

It would be difficult for U.S. Customs to administer an alternative tariff classification for egg yolk imports derived from U.S. produced eggs which would be in addition to the normal Canadian shell egg import quota.

The tariff reduction would give a trade benefit to Canada that would be more appropriately conferred as a result of trade negotiations resulting in equivalent advantages for the United States. This is the type of situation we face repeatedly and exemplifies the Administration's need for broad tariff negotiating authority.

U.S. companies are now working toward Food and Drug Administration approval of lysozyme production and export, which, when attained, would place them in competition with Canadian lysozyme producers able to dispose of their by-products (i.e., egg yolks) at a reduced tariff, making them more competitive with U.S. lysozyme producer by-products.

Finally, the bill would grant Canada preferential treatment over other countries for imported dried egg yolk. This contravenes U.S. obligations under various international agreements and treaties not to discriminate among trading partners.

Statements for the Record

Supports

Governor of North Dakota: Enactment would give a U.S. company a major contract and ease the oversupply existing in the U.S.

Commissioner of Agriculture - State of North Dakota: FDA regulations do not allow for the production of lysozyme (the extraction of the part of the egg white for usage in medicines) in the United States.

Peco Foods, Inc.: The enactment of this bill would greatly benefit the egg producer in the United States by facilitating the export of American shell eggs.

Dakota Lay'd Eggs: The enactment of this bill would help all agriculture.

Opposes

United Egg Producers: FDA regulations do not allow for the production of lysozyme in the U.S., thus, this bill would give Canadian firms a competitive advantage over U.S. firms.

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